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How Leaders with Divergent Visions Generate Novel Strategy: Navigating the Paradox of Preservation and Modernization in Swiss Watchmaking

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ABSTRACT

How do leaders with divergent visions for their organization come together to create a novel strategy? This paper employs paradox as a lens to investigate how leader-dyads can integrate opposing strategies to produce a new, generative approach. Drawing on a qualitative historical case study of Switzerland's largest watch company—Société de Microélectronique et d'Horlogerie—during the quartz crisis in Swiss watchmaking, we induce a process model from the activities of two leaders whose relationship embodied the tensions and strategic contradictions of preserving the past and modernizing for the future. The model specifies a set of individual, relational, and structural mechanisms by which leaders productively engage with a *preservation-modernization paradox* to facilitate novel strategy in the wake of a discontinuity. We interpret our findings in terms of the demands of navigating the management and outcomes of strategic paradoxes. While tracing the theoretical and practical implications of our model and our findings, we address leadership conundrums characteristic of organizations confronting paradox.

Keywords: strategic paradoxes, senior leaders, organizational reinvention

1980s

Jean-Claude Biver: "In a mechanical watch you buy beauty, you buy emotion, you buy a status symbol."
Nicolas G. Hayek: "Never leave the lower [quartz watch] market segment to anybody else."

Late 1990s

Jean-Claude Biver: "The Swiss watch industry was saved because of quartz watches."
Nicolas G. Hayek: "[Mechanical] mechanisms . . . captured my heart and my imagination."

The early 1980s witnessed the apex of what watch-industry insiders called "the quartz crisis"—the threat that accurate, mass-produced, low-cost quartz watches from Japan appeared to pose to the survival of Swiss watchmaking. The first pair of quotations above, from the 1980s, captures the divergent responses to the crisis of two influential industry leaders. Jean-Claude Biver, an advocate of Swiss craftsmanship, articulated a view of the future that would honor and preserve the past; Nicolas G. Hayek, untethered to traditional mechanical watchmaking, embraced modernization and the new quartz technology. The two perspectives seemed entirely at odds; their champions were adamant and passionate in their differences.

As the latter pair of quotes attests, the two leaders eventually modified their initial

stances. Each abandoned a narrow response in favor of a broader, more accommodating strategy—one that guided a fundamental reorientation at the organization they jointly led. Incorporating elements of each other's views of Swiss watchmaking facilitated a novel response strategy that neither leader formulated independently. The exemplary organization that resulted from their recombined vision was neither the stronghold of traditional mechanical purity endorsed by Biver nor the model of modern industrial efficiency envisioned by Hayek.

The quartz crisis was a classic embodiment of the dilemma faced by senior leaders in dealing with a fundamentally new technological trajectory. Early research emphasized the tradeoffs inherent in incumbent leaders' efforts to respond (Dosi, 1982; Tushman & Anderson, 1986). The influential defender–prospector theory, for example, held that an organization's response to changing environmental conditions hinges on the prevailing strategic orientation of its senior executives: some leaders tend to defend the status quo while others pioneer in new domains (Hambrick, 1982; Miles & Snow, 1978). These differences are key sources of tension between leaders and within many senior teams (Amason, 1996). Numerous studies have documented the benefits that accrue to organizations whose leaders *either* seek to extend the life of existing technologies (Furr & Snow, 2015; Henderson, 1995) *or* embrace new technologies (Christensen, Raynor, & McDonald, 2015; Gilbert, 2005). They emphasize the stark strategic choice to which leaders facing a threat like quartz must fully commit: to preserve existing capabilities and traditions or to modernize. Navigating the related interpersonal dynamics often proves more challenging, furthermore, than such studies imply.

More recently, scholars have observed that the very starkness of this premise makes it problematic: by framing technological adaptation as an either/or choice, prior research presents a false dichotomy (Smith, 2014). Leaders' responses may be more productively approached, these

scholars argue, as *strategic paradoxes*, or "contradictory yet interrelated elements that exist simultaneously and persist over time," that impose conflicting demands on organizational goals (Smith & Lewis, 2011: 382). According to paradox theory, leaders' deliberate engagement with such tensions, acknowledged to be inherent and persistent (e.g., reframing "Are we managing for today *or* for tomorrow?" as "*How* can we manage for today *and* for tomorrow?"), fosters a type of creative problem solving and learning that promotes adaptation (Cameron & Lavine, 2006). Studies have proposed various organizational arrangements, practices, and structures for engaging strategic paradoxes, linking them to continuous improvement (Eisenhardt & Westcott, 1988), capability development (Harreld, O'Reilly, & Tushman, 2007), and economic sustainability—that is, to "peak performance in the present that enables success in the future" (Smith & Lewis, 2011: 381; Tushman, Smith, Wood, Westerman, & O'Reilly, 2010). For example, organizational designs characterized by differentiated subunits tasked with conflicting strategic agendas and top-management team integration enable simultaneous exploitation of an existing business and exploration of new opportunities (Gibson & Birkinshaw, 2004; He & Wong, 2004; Raisch & Tushman, 2016). This body of work suggests that leaders are well advised to embrace a "both/and" approach to a technological discontinuity—one that maintains a "dynamic equilibrium" between old and new (Smith, Lewis, & Tushman, 2016: 4).

The paradox lens offers scholarly guidance for leading strategic reorientation at incumbent organizations, but unresolved issues remain. For one, prevailing models assign responsibility for sustaining tensions to a singular entity, either the senior leader (in leader-centric models) or his/her senior team as a whole (in team-centric models); in theory, the leading entity mediates between opposing stances and integrates conflicting demands in the organization's goals (Ashforth & Reingen, 2014; Jay, 2013; Smith & Besharov, 2019). But team-

and leader-centric models do not account for breakdowns in dyadic relationships (Alvarez & Svejenova, 2005; Heenan & Bennis, 1999) wherein strong egos, defensiveness, and cognitive commitments prevent opposing visions from coming together to create something better. Witness the bitter clash between Steve Jobs and John Sculley over their divergent visions for Apple's PC future (Heilemann, 1997) or the conflicting views on hardware that apparently soured Bill Gates' and Steve Ballmer's "brotherly relationship" at Microsoft (Fiegerman, 2016). Focusing on leadership duos (leader-dyads) like these may shed light on underappreciated interpersonal and relational processes for confronting the "structural, social psychological, and psychological barriers that create tendencies for both inertia and consistency" (Smith & Tushman, 2005: 525).

A related issue pertains to the so-called *generative properties* of strategic paradoxes; managed well, such paradoxes have the potential to foster creative problem solving that contributes to organizational renewal (Hill, Brandeau, Truelove, & Lineback, 2014; Raisch & Tushman, 2016; Tushman et al., 2010). But exactly how leader-dyads' engagement with persistent tensions reconciles the strategic challenges associated with technological change remains a mystery. Scholarly calls to leverage the past while dismantling it to remake the future (O'Reilly & Tushman, 2008; Smith & Lewis, 2011) lack specificity about how such an ambitious and contradictory agenda is pursued. When two strong leaders disagree on vision, interpersonal interactions can easily devolve into "turf battles" that derail an organization (Tushman, Smith, & Binns, 2011). Apple grew and then sputtered after Jobs' departure (Heilemann, 1997); Microsoft struggled to reorient itself in the wake of the smartphone revolution (Fiegerman, 2016). We know the advantages and challenges of how individual leaders (or teams of leaders) address strategic paradoxes (e.g., Smith & Tushman, 2005; Smith, 2014) but comparatively little about how dyads may do so.

Existing work on leadership duos (e.g., Alvarez & Svejenova, 2005) and related concepts (Heenan & Bennis, 1999; Miles & Watkins, 2007) attends more to the structural dimensions of differentiation and integration of shared leadership, rather than how leader-dyads facilitate and manage strategic paradoxes. Analyzing how leaders with different visions navigate ongoing tensions, debates, and contradictory views to produce a generative strategy promises to be a useful extension to theory.

To explore the relationship between dual leadership and the management of strategic paradoxes, this paper asks: *How do leaders with divergent visions for their organization come together to create a novel strategy?* Employing a paradox lens, we investigated how a leader-dyad integrated opposing strategies to produce a new, generative approach. Although it is noteworthy that our study's leaders adopted an effective "both/and" strategy (preservation *and* modernization), such an outcome is largely anticipated by paradox theory. Our paper's unique contribution instead rests on unpacking *how* and *why* it happened at Switzerland's largest watch company, *Société de Microélectronique et d'Horlogerie* (SMH), and how it *could* happen in other circumstances.

STRATEGIC PARADOXES IN ORGANIZATIONS

The concept of organizational paradox provides a compelling theoretical lens for understanding the dual (or dueling) strategic agendas that may arise from technology discontinuities and from opposing views of the future. Scholars define organizational paradoxes as "contradictory yet interrelated elements that exist simultaneously and persist over time" (Smith & Lewis, 2011). Logical in isolation but absurd when juxtaposed (Lewis, 2000), the presence of such elements embeds competing demands in an organization's goals (Smith, 2014). For instance, social enterprises explicitly seek to achieve both social and financial goals (Smith & Besharov, 2019); the incompatibility of these objectives (not-for-profit versus for-profit) is more apparent during

periods of economic scarcity (Battilana & Dorado, 2010).

A key insight of paradox theory is that leaders' direct and sustained engagement with competing demands is beneficial because it fosters creative problem solving and adaptation (Cameron & Lavine, 2006). For example, Eisenhardt and Westcott (1988) document how embracing the contradictory goals of carrying no inventory while assuring as-needed access to every component resulted in Toyota's innovative "just-in-time" process. Birkinshaw, Crilly, Bouquet, and Lee (2016) describe how the dual headquarters adopted by Softcorp, a Dutch software company, helped it achieve global integration (in Europe) and local responsiveness (in Asia). By acknowledging and grappling with strategic contradictions and organizational incompatibilities, leaders encourage the experimentation necessary to generate novel strategies. As recent contributions to this research attest, however, some strategic paradoxes are embedded in structural conditions that prevent generativity (Pradies, Tunarosa, Lewis, & Courtois, 2020), and organizational tensions have as much potential to trigger destructive infighting as they do to promote productive problem-solving (Es-Sajjade, Pandza, & Volberda, 2020).

Another insight stems from leaders' struggles to embrace paradox. "While organizations can excel when top management teams effectively balance strategic contradictions," Smith and Tushman (2005: 525) have written, structural, psychological, and social barriers often militate against doing so. Paradox theorists have thus focused on organizational practices intended to sustain persistent tensions: *reframing* (reconceptualizing dilemmas to reveal their paradoxical nature), *accepting* (brokering a shared interpretation, without resolution) (Lüscher & Lewis, 2008), and *accommodating* (identifying novel creative synergies concealed within conflicting demands) (Eisenhardt & Westcott, 1988). They have also proposed ambidextrous organizational designs that task differentiated subunits with conflicting strategic agendas under a tightly

integrated senior team (Adler, Goldoftas, & Levine, 1999; Gibson & Birkinshaw, 2004; He & Wong, 2004; O'Reilly & Tushman, 2004; Raisch & Tushman, 2016). Both approaches assign ultimate responsibility to a single entity, which integrates conflicting demands in the firm's goals (Ashforth & Reingen, 2014; Jay, 2013; Smith & Besharov, 2019). Thus the "locus of paradox"—where the action of managing strategic contradictions resides—is the senior leader or the top-management team (Smith and Tushman, 2005: 522). This need not always be the case.

A *dyadic* (or relational) approach may instead emphasize the co-presence of leaders with opposing stances (Alvarez & Svejenova, 2005) and the potential for relationships to form across perspectives (Clegg, da Cunha, & e Cunha, 2002). Leadership research, which has explored the concepts of "leadership pooled at the top of the organization" (see Denis, Langley, & Sergi, 2012; Hodgson, Levinson, & Zaleznik, 1965), "leadership couples" (Gronn, 1999), and "professional duos" (Alvarez & Svejenova, 2005), documents the benefits and drawbacks (e.g., Dennis, Ramsey, & Turner, 2009) of a variety of forms of dual-leadership, including the fact that reluctance to share power can complicate such relationships (Arena, Ferris, & Unlu, 2011). This work emphasizes the complementarity of skills to effectively "divide and conquer" the complex demands of the executive function (Alvarez & Svejenova, 2005; Miles & Watkins, 2007). It also highlights the relational genesis of leader-dyads that are expected to arise in one of two ways: "from a social relationship (an affective dyad) or in the course of task-based interaction (a working dyad)" (Alvarez & Svejenova, 2005:128). Despite broader scholarly attention to duo exemplars (e.g., Hewlett & Packard at HP; Friedman & Rubin at Goldman Sachs), leader-dyads have largely remained outside the scope of paradox theory. Carmine and Smith (2021: 22) summarize the prevailing perspective: to manage strategic paradoxes, "senior teams could organize as a leader-centric team, in which tensions are held by the leader, and team-centric

teams, in which tensions are held by the whole team."

This assessment of the narrow possibilities persists despite scholarly assertions that dyadic relationships between leaders represent a fateful locus of action (Graen & Scandura, 1987) as well as dual or dueling agendas (Dennis, Ramsey, & Turner, 2009). It also persists despite the prevalence of leader-dyads, in modern organizations, that advance either opposing strategic positions or conflicting functional roles (e.g., insider vs. outsider; forward-looking leaders vs. backward-looking leader; risk taker vs. risk avoider; visionary vs. implementation-oriented) and whose integration could benefit the organization (e.g., Arena et al., 2011). A dyadic approach to paradox thus hints both at an intriguing theoretical possibility—that tensions and strategic contradictions can be embodied in the relationship *between leaders*—and at a potentially underappreciated organizational intervention: leveraging individual practices and interpersonal interactions to integrate opposing visions.

To summarize, research on leading strategic paradox is insightful but incomplete. Sustaining persistent tensions is expected to generate novel both/and strategies (Smith et al., 2016), which contribute to organizational renewal. It remains a mystery, however, how leaders with opposing visions avoid destructive infighting in the face of ongoing tensions, debates, and contradictory views of the future. Strategic contradictions and tensions may become situated in leaders' dyadic relationships, which can be challenging to maintain (Heenan & Bennis, 1999). Yet whether relationally embodied contradictions ultimately prove generative or unfruitful for an organization likely depends on the nature of the dyad's relationship (how it was formed) and on the leaders' interpersonal interactions (how they nurture it)—neither of which are explored in prior research. Consequently, existing research, though valuable, leaves unexplored important facets of leading strategic paradoxes. For insight, we turn to the context of Swiss watchmaking.

METHODS

This study is part of a larger research project, initiated by the first author, on the reemergence of the Swiss watch industry. The current study examines two organizations and their senior leaders while also expanding the scope of the parent research project's initial analysis.

Empirical Setting

In the early 1970s, Switzerland accounted for nearly 55 percent of the world's export market for watches (in terms of revenue), a figure that fell to roughly 30 percent the following decade. Over the same period, unit volume plummeted from 45 percent to 10 percent of global supply.[1] Insiders refer to the initial period following the introduction of quartz technology as "the quartz crisis"—a near-collapse of Swiss watchmaking's industry leadership (Glasmeier, 2000). Mechanical watches housed hand-assembled gears, balance wheels, and hairsprings; battery-powered quartz watches, which relied on a quartz crystal to turn vibrations into electric pulses to measure time, were twenty times more accurate than their mechanical counterparts (Landes, 1983). Although Swiss watchmakers had been the first to produce and sell quartz watches, Japanese firms entered the market in the early 1970s and reduced the average price of a quartz watch by a factor of 100. By 1983, half of Swiss watch brands had gone bankrupt and nearly two-thirds of Swiss watchmakers had lost their jobs (Perret, 2008).

Our analysis centers on the actions and interactions of two leaders who launched separate organizations in 1983, in response to the crisis, but later joined forces. Nicolas G. Hayek's company (SMH) introduced the Swatch, a colorful and affordable quartz watch intended to compete directly with Japanese variants. The same year, Jean-Claude Biver purchased the rights

[1] Analysts track the size of the watch industry by *export value*, or the value that companies assign to their watches when they file with their governments for export. Swiss watch companies sold approximately 95 percent of their watches outside Switzerland during the timeframe of this study.

to Blancpain, a company that had gone out of business in 1961, and repositioned its traditional mechanical watches as homages to craftmanship of a kind that could be sold at far higher prices (Lelarge, 2015). Both leaders' responses proved viable (as the Findings section will document). In 1992, Hayek acquired Blancpain; he invited Biver to join SMH's board and to oversee a turnaround of its Omega brand, whose former managers had failed to respond to quartz technology (Glasmeier, 2000). In the decade that followed, SMH became the largest and most profitable watch company in the world, manufacturing both mechanical and quartz watches and employing one-third of all watchmakers in Switzerland (Donzé, 2011a; Wegelin, 2010).

This study follows Hayek and Biver's responses to the quartz crisis, at first independently and then together. Between 1983 and 1991, it traces the independent actions of the two focal leaders and the divergent visions they created in their respective organizations in response to the quartz crisis. Between 1992 and 2001, it follows how the two worked together at SMH after Hayek had acquired Biver's company. During this period, our analysis indicates, Hayek and Biver avoided adopting a simple either/or response to quartz and mechanical watchmaking. Prior studies have shown that leaders often retreat to their initial positions when faced with opposing views of technological change (e.g., Gilbert, 2005; Tripsas & Gavetti, 2000); by contrast, Hayek and Biver incorporated elements of each other's initial visions (to modernize *and* to preserve aspects of watchmaking) into their perspectives. Their ten-year working relationship at SMH provided us a unique opportunity to examine how a leader-dyad with opposing views navigate tensions, contradictions, and debates about an organization's strategic direction.

Data

Interviews. The primary data consist of 147 semi-structured interviews with our focal leaders, Swiss watch executives, industry experts, and other influential actors familiar with Hayek or Biver's actions and with the Swiss watch industry (see Table 1). Interviews were

conducted between 2010 and 2020; the average interview lasted 95 minutes. Sampling was theoretical rather than random (Glaser & Strauss, 1999) to ensure that we collected data from representatives of various positions and perspectives. To identify suitable interviewees, we relied on two sources: the National Association of Watch and Clock Collectors (NAWCC), one of the world's largest horology archives, and the Federation of the Swiss Watch Industry, a non-profit professional association whose members represent over 90 percent of Swiss watch manufacturers. Both organizations provided lists of individuals they considered relevant to our research. One author then interviewed long-time employees, mentors, business partners, and other industry actors who had worked closely with, or reported directly to, Hayek and Biver. Some individuals were interviewed multiple times, including Biver who was interviewed annually for nine consecutive years. To ensure broad representation, the author also interviewed retailers, union representatives, company historians, archivists, museum curators, fashion and luxury-brand executives, auction-house executives, watchmaking-school administrators, heads of collectors' associations, and government officials active during part or all of the study period.

Field observations. To prepare to converse knowledgeably with executives and watchmakers, the first author observed a watchmaking course at the NAWCC School of Horology; visited Baselworld, the industry's largest trade show; and toured nine watch factories. The author also spent a week at one of Biver's watch factories, where he was granted unrestricted access to Biver, his team, and its watch production processes.

Archival data. Archival data allowed for triangulation to identify commonalities and differences in findings from a range of sources (Creswell, 2003). Consistent with our interest in the actions and interactions of the study's two leaders, we obtained access to 92 archival articles about Hayek and Biver published in *Modern Jeweler, WatchTime, American Time*, and other

leading industry periodicals whose editors-in-chief provided transcripts of interviews and reporters' hand-written notes. These pieces, published during the time frame of our study, helped to guard against recollection bias and to triangulate trends among our sources. To corroborate events mentioned in interviews and periodicals, we consulted biographies of Hayek and Biver. We also gained access to 27 archival interviews with Swiss watch-company CEOs conducted by *TimeZone*, a leading industry news source, to gain a broader sense of the types of challenges other CEOs faced during our period of study. Additional data included annual reports, production and employment figures, historical accounts, yearly certification standards, and auction houses' vintage-watch prices associated with our study's focal organizations. Most of the archival data were hand-collected from archives in Europe and the United States.

-----Insert Table 1 About Here -----

Analytic Approach

To address our research question, we employed a nested case-study design (Yin, 2008). Our analytic approach employed abductive methods (Peirce, 1955) that iterated between our data and established theoretical constructs for the purpose of allowing theories to "emerge, change, and grow" (Snow, Morrill, & Anderson, 2003: 185). The process consisted of four phases.

Phase 1: Identifying critical events and relevant actors. During an initial round of coding, we developed descriptive codes using a content-analysis package to organize and examine our interview and archival data. The goal of this preliminary exercise was to identify key events, key actors, and critical choice moments related to the different strategies that Swiss watchmaking companies employed in response to the introduction of quartz technology. Next, we recoded all our interview and archival data with a specific focus on the decisions and actions of Nicolas G. Hayek of SMH and Jean-Claude Biver of Blancpain. Our decision to focus on these two leaders was grounded in our initial coding; every interviewee had mentioned Hayek or

Biver when asked to identify individuals who had played a significant role in shaping Swiss watchmaking during and after the quartz crisis. From these descriptive codes we developed a detailed longitudinal case history (e.g., Graebner & Eisenhardt, 2004) that summarized the trajectories of the organizations that Hayek and Biver led during our study's period of analysis.

Phase 2: Distinguishing emergent themes. We then grouped our provisional first-order codes into broader topics and began to categorize them thematically. We assigned passages either to our newly created first-order codes or to preexisting theoretical concepts. Doing so helped us to identify constructs of interest, via a process best described as axial coding (Strauss & Corbin, 1998) that enabled us to generate a set of more abstract constructs. For example, during this process we developed codes for differences and commonalities between our focal leaders' visions for their respective organizations; we then identified several apparent tensions and contradictions between Hayek's and Biver's views of watchmaking. We then linked these tensions to theoretical concepts associated with incumbent leaders' perceptions of and responses to technological discontinuities (e.g., Kaplan & Tripsas, 2008). Examples of such codes included mentions of *technological capabilities* (e.g., Anderson & Tushman, 1990), *values and economic models assigned to legacy and new products* (e.g., Benner & Tripsas, 2012; Katila, 2002; Raffaelli, 2019), *temporal references to the past or the future* (e.g., Hatch & Schultz, 2017), and topics of *managerial attention* (e.g., Ocasio, 2011). Cross-referencing emergent thematic codes with descriptive codes associated with the actions of our two focal leaders identified convergent and divergent patterns. This process equipped us to develop thematic codes that categorized Hayek's and Biver's visions as separate and apparently divergent responses to the quartz crisis: an industrial *modernization* vision (Hayek) and a craft *preservation* vision (Biver).

Phase 3: Temporal bracketing and longitudinal analysis. Next we examined how codes

associated with the focal leaders' visions evolved over time, specifying two periods: (1) pre-acquisition of Blancpain (1983–1991), when Hayek and Biver worked separately; and (2) post-acquisition (1992–2001), when they worked together. Having identified several strategic implications of Hayek's and Biver's respective visions that created *organizational inconsistencies* when juxtaposed at the same firm, we examined how these inconsistencies—embodied by Hayek and Biver at SMH—appeared to resemble the "contradictory yet interrelated elements" that scholars have found to produce organizational paradoxes (Smith & Lewis, 2011: 382). Returning to our data, we tracked how these inconsistencies evolved. In subsequent rounds of interviews and archival analyses, we probed the nature of Hayek and Biver's relationship, how they worked together, and their interpersonal interactions. Prior research on technological and environmental change has shown that group cognition and dynamics often constrain top-management teams (Carpenter, Geletkanycz, & Sanders, 2004; Raffaelli, Glynn, & Tushman, 2019); our analysis revealed, by contrast, that Hayek and Biver's interaction expanded their respective visions. For example, our data exposed several codes for "modernization"— initially limited to aspects of Hayek's vision during the pre-acquisition period—began to appear in cross-references to Biver during the post-acquisition period. Similarly, codes for "preservation," initially attributed primarily to aspects of Biver's vision during the pre-acquisition period, began to show up in cross-references to Hayek following the Blancpain acquisition. This pattern led us to analyze the ways in which Hayek and Biver interacted and the content of their interactions, and *how* the two leaders engaged with and sustained the preservation–modernization paradox.

We also explored the evolution of the preservation–modernization paradox within SMH over time. Our analysis revealed several junctures at which our two leaders juxtaposed contradictory elements and searched for organizational-level interdependencies. Based on

longitudinal analysis, we found that they gradually embraced several tensions and inconsistencies associated with their respective visions (modernization vs. preservation); when integrated, these seemed to serve as a source of strategic advantage for SMH. Thus we adopted an analytic lens often employed by scholars when actors depict paradoxes as inherent and a feature of the systems and experiences in which they operate (Fairhurst et al., 2016; Jarzabkowski, Bednarek, & Lê, 2018). This process led us to induce several mechanisms associated with our leaders' *individual* practices, *relational* exchanges, and with the *structural* boundary management that, in turn, informed our emergent model.

Phase 4: Building a theoretical process model. We next developed a process model to capture how leaders with divergent visions for their organization come together to create a novel strategy. We returned to the field to conduct follow-up interviews and gather additional archival data that could validate aspects of the model. Follow-up interviews with Biver, employees of Hayek and Biver, reporters, and industry analysts served as "member checks" (Maxwell, 2004: 259) to identify validity threats and our own biases and assumptions. These interviews substantiated our characterizations of Hayek and Biver, their interactions with each other, and their combined impact on SMH's strategic reorientation. This iterative process of data collection, analysis, and theory building generated our theoretical model.

FINDINGS

Figure 1 offers a timeline that summarizes the critical events in the findings presented below.

-----Insert Figure 1 About Here -----

Period 1 (pre-acquisition): The Emergence of Two Divergent Visions, 1983–1991

Nicolas Hayek's modernization vision. By the mid-1970s, the quartz crisis had overwhelmed the Swiss watchmaking community (Glasmeier, 2000). Several Swiss banks jointly hired Nicolas G. Hayek, the Lebanese-born CEO of a management consultancy in Zurich, to

propose a restructuring plan for newly insolvent watch companies in the banks' portfolios; many such companies were seeking bank loans to cover salaries. Hayek's report articulated a vision of massive industry consolidation to accommodate quartz-watch production at scale. "[We] slept in a criminal way for about 15 years," Hayek commented. "We let the Japanese open the market because we had nothing to offer in terms of quality or innovation" (MJ8). [2]

Hayek proposed merging two of Switzerland's largest watchmaking manufacturers, which produced movements (internal components) for many brands (e.g., Omega, Tissot, Longines); the two manufacturers accounted for approximately half of all Swiss watch-industry employment. The banks, however, having extended bailout loans to watch companies for nearly a decade, were reluctant to oversee a lengthy restructuring effort (Wegelin, 2010). Hayek's consulting practice had helped transform national postal and railway systems and set his expectation that he could now do the same for Swiss watchmaking (Donzé, 2011a). Confident in his own vision, and against the advice of most industry analysts (Breiding, 2013), he entered into negotiations with the banks to purchase the dying holding companies himself. "The strategies that we presented to the banks were to first stop the hemorrhaging," Hayek recalled. "They didn't believe me. That's why they said, 'You can buy the whole thing'" (L10). Hayek orchestrated deals with dozens of banks; they agreed to sell him majority shares of the manufacturers and to forgive some of the debt they were owed in exchange for shares in the new company. As a sign of confidence in his vision, Hayek personally invested CHF 20 million, or $11 million, in the deal and proved adept at raising additional funds from outside investors.

Hayek named the new holding company *Société de Microélectronique et d'Horlogerie* (SMH, renamed The Swatch Group in 1998)—a name that expressed his intention to modernize

[2] See Appendix for an explanation of the notations we use to identify data sources referenced in this paper. All quotes represent individuals' stated views during the respective period (i.e., pre-acquisition vs. post-acquisition).

the company and produce "microelectronic" quartz watches. The consolidation created Switzerland's largest watch-movement factory. According to a biographer (Wegelin, 2010), Hayek believed that SMH's factories would accommodate manufacturing for multiple brands once the production systems were retooled. He thus situated all of the brands under the single umbrella of a corporate body known as a "group." Hayek sought to improve the manufacturing efficiency across all of SMH's production lines so as to reclaim the low-end and mid-range segments of the quartz market (segments the Swiss had ceded to the Japanese) while continuing to produce high-end quartz watches (Clerizo, 2010; Donzé, 2011a).[3] "[Hayek] told us we must do everything we can to recover from our loss in the market" (W6), a former SMH employee recalled. "We had to become more industrial and go into quartz." In a 1987 interview, for example, Hayek declared, "Hand crafted [mechanical], small numbers, small units—it doesn't interest me as an industrial group" (MJ8). He tasked Ernst Thomke, a well-known watch-industry executive, with overseeing the company's transformation to quartz technology.

The result was the Swatch, a quartz watch whose manufacture required investment in several innovations that departed from the norms of traditional mechanical watchmaking. Compared to the typical mechanical watch, the Swatch's novel design and quartz movement reduced production costs by 80 percent, and required 55 percent fewer parts. The young engineers who ran the project, Jacques Müller and Elmar Mock, faced internal opposition from many of SMH's watchmakers, who still shunned the new quartz technology. Mock recalled:

> At that time the company was not in a very good situation economically, so it was like a referendum. But everyone was keeping their distance from us. Most of them said, "Those two, they will be thrown out of the company in six months. Anyone who works with that shit [quartz] technology, they have no chance." But for me, the Swatch was an opportunity to give confidence back to the industry and restart it. (W2)

[3] Hayek's primary focus was retooling for quartz production, but SMH maintained some mechanical manufacturing capabilities to capture revenue from residual mechanical-watch demand.

The first Swatches appeared in Europe and the United States in 1983, at prices low enough (CHF75, $35) to encourage consumers to treat them as fashion accessories. Advertising promoted buying multiple Swatches to coordinate with changes of clothing: "Swatch = second watch." Rather than invoking Switzerland's past achievements, the first advertisements declared "Introducing Swatch. The New Wave in Swiss Watches" and featured a colorful watch with "Swiss Quartz" emblazoned across its face. The slogan was intended to distinguish the "modern" Swatch from Switzerland's traditional "antiquated mechanicals" (HA3). In five years, SMH produced and sold 50 million Swatches. According to a former industry analyst, "Everybody was wearing a Swatch—the garbage picker and the bank president" (JE1). In the words of another analyst, "The inexpensive plastic Swatch became a *cause célèbre* in Switzerland" (MJ2). Swatch revenues infused liquidity into SMH and new confidence into its watchmakers. An industry magazine reported:

> After Swatch, Swiss fortunes soared. Swatch changed the image of the Swiss watch industry almost overnight. Suddenly the haggard has-beens were hip, on the cutting edge of watch technology, marketing and design. Swatch was a crucial factor in the rise of SMH and the general Swiss renaissance of the 1980s (MJ15).

Hayek and his team of "quartz heroes" (JE6)—a nickname bestowed on them by a prominent industry journalist—had proven that SMH could produce quartz watches on an automated production line with minimal human assembly. Emboldened by his success, Hayek stated: "You only need one brilliant man to run [a company] and it runs. You ask ten brilliant men to run [a company] and it's broke" (L9). According to interviews with several members of his team, Hayek asserted that the new production techniques developed for the Swatch could inform the ongoing process of modernizing other SMH brands, which had struggled to convert fully to quartz technology. More broadly, Hayek projected the Swatch watch as the first of several electronic product lines for SMH, including a mobile phone (Swatch Phone) and the

world's first smart car (Swatchmobile). "[In Switzerland], we have very few firms which have taken the turn into electronics," Hayek asserted. He added: "[SMH] has been shaken up. We know we are on a take-off path, and [we are] there to do it" (MJ4).

Jean-Claude Biver's preservation vision. In 1983, the same year that Hayek formed SMH and launched the Swatch, Jean-Claude Biver purchased the rights to a dormant watch brand, Blancpain, that had gone out of business prior to the quartz crisis (Lelarge, 2015). Biver, a 33-year-old former Omega watch company executive, along with a well-regarded watchmaker, paid CHF16,000 ($9,000) for the Blancpain name and relaunched the brand as one of Switzerland's oldest watch companies. Recounting why he left Omega to run Blancpain, Biver recalled, "I didn't want a boss" (L3). Biver aimed to preserve the history and manufacturing traditions of Swiss mechanical watchmaking. "Everyone believed the future was in quartz. They believed that if we reduced the price, we would sell more and more," Biver recalled. "I disagreed" (L2). Championing an against-the-tide vision, he promised that Blancpain would make *only* mechanical watches and that the traditional watchmaking profession should be celebrated, not abandoned. "The quartz had no soul. I said, 'It's not a watch,'" Biver recounted. "But nobody believed me. They said, 'You are a romantic'" (L1). Biver was so convinced of the merits of his vision that, at a juncture when other Swiss brands were distancing themselves from mechanical watchmaking (Glasmeier, 2000), Blancpain's first advertising slogan declared "Since 1735 there has never been a quartz Blancpain watch. And there never will be." Biver recalled: "People read our ads and said, 'How can they say this when everybody thinks the quartz watch will save the industry?' We were completely contrarian" (L7). An industry veteran described the initial response to Biver's vision:

> In 1982 there was literally no market for mechanical watches. Then Jean-Claude comes along and represents this crazy belief that mechanicals had a future. He was a visionary to see the old world was still important. He offered up a point of view that brought back artistry and tradition. (JE4)

Biver housed the company's new headquarters in an old farmhouse. He explained that the building was meant to evoke Swiss watchmaking's eighteenth-century roots (L8): in that era French watchmakers had introduced the craft to Swiss cattle farmers whose idle hands proved exceptional at building watches during the cold winters. Biver aimed to connect present-day watchmakers with "their ancestors" who had founded the profession. Displaced watchmakers who had refused to adapt to new quartz technology flooded Blancpain with job applications. One watchmaker who lived through the quartz crisis recalled: "The knowledge to make mechanical main plates, wheels, and parts was disappearing quickly. Biver saw the expertise was there and used it to help launch his business" (W5).

While quartz producers focused on expanding output via automation, Biver deliberately restricted the supply of Blancpain handcrafted watches and raised their price to signify "scarcity" and "exclusivity" (Lelarge, 2015). "In a mechanical watch you buy beauty, you buy emotion, you buy a status symbol" (MJ8), he asserted in a 1987 interview. Biver personally delivered early models to customers and explained the painstaking work that had gone into crafting their watches. Rather than releasing multiple collections—a watch-industry norm—Blancpain produced a single model that communicated the brand's longstanding mechanical heritage. At the end of its first year, the company had sold 97 watches and reported revenues of $75,000. Within five years, Blancpain sold 3,000 watches a year and reported $9.4 million in annual revenue. A watch executive described the impact of Biver's preservationist vision:

> Blancpain was a miracle. It was the first and only time I'd seen a traditional brand, in terms of product and look, with a young image. Suddenly young people wanted to wear it. Biver made it fashionable to have a mechanical watch again. (SE39)

When compared to Hayek's modernization campaign at SMH, Biver's preservationist vision for Blancpain appeared to pose several incompatibilities for a possible merger of their philosophies.

Organizational inconsistencies. Biver's and Hayek's visions embodied sharply divergent, but viable, paths forward in the quartz crisis. Industry historians and journalists noted that the two leaders' organizations ascribed primacy to different elements: SMH focused on modernizing its production capabilities to accommodate quartz technology (Donzé, 2011b); Blancpain aimed to preserve the traditions of Swiss mechanical watchmaking (Friedberg, 1999). SMH's annual reports extolled the company's efforts to rebuild an industrial base by manufacturing quartz watches on automated factory lines and to make affordable Swatches available to the masses. Meanwhile Blancpain limited its supply of watches, invoking tradition to entice customers to purchase hand-made mechanical watches as symbols of "exclusivity," "craft," and "art" (L8). The differences between the two organizations were evident in the prices of their marquee watches: the average price of a mechanical Blancpain was CHF990 ($450); that of a quartz Swatch was CHF75 ($35).

Hayek and Biver's visions were also manifest in how their organizations relied on Switzerland's watchmaking practices and history. An industry reporter observed that Hayek was more interested in modernizing SMH's operations than in preserving the past: "Hayek was first and foremost an engineer and an industrialist. He wanted to change almost everything" (JE2). SMH employees, perhaps to align themselves with their leader, expressed disdain for those who maintained enthusiasm for mechanical Swiss watchmaking. "Some were still in love with the old history. They were in love with the old profession" (W6), said one employee. By contrast, Biver's Blancpain credo read: "We believe in the beauty, tradition, and value of a hand-made mechanical watch. If you want a commonplace, machine-made quartz watch, which everyone wears, go right ahead. If you believe in the traditional craft, buy Blancpain" (AT4). In sum, Blancpain and SMH were focusing on promoting different *core technologies* (mechanical vs.

quartz production), different *economic models* for revenue growth (low volume/high price vs. high volume/low price), and different views on *time orientation* and practices (preserving traditional practices vs. abandoning them).

Period 2 (Post-acquisition): Surfacing and Engaging Paradox, 1992–2001

In 1992 SMH acquired Blancpain. The acquisition would make salient many of the organizational inconsistencies embedded in Hayek's and Biver's initial visions. Our analysis revealed, however, why the two leaders agreed to the alliance and how they influenced each other's initial visions in unforeseen ways over the next decade. This section outlines how the leaders' individual practices, relational exchanges, and structural boundary management helped to surface and sustain a fundamental strategic paradox: preservation–modernization. We also examine how that paradox facilitated a new generative strategy at SMH.

Individual practices: goals and egos. By the early 1990s, Blancpain employed over 100 watchmakers and was continuing to experience year-over-year revenue growth. The demise of Biver's marriage, however, left him "alone and lost" (SE40), according to a former employee. The breakup of his family led Biver to reassess several personal and professional goals, and he and his partners began looking for ways to exit the business. Biver later recalled that it was not until after he sold Blancpain to SMH that he realized just what it meant to him:

> I was the poorest rich man in the world. I realized I had made a mistake. I realized I had sold the people who had made my success. I had regrets. I had to come back to my people. Help my people. Promote my people. Motivate my people. They were my family. That is what I explained to Hayek—I asked if I could return and run Blancpain again. (L3)

As Hayek considered Biver's request, he too was facing new challenges that impacted his personal goals for SMH. Swatch had created a boom, but it was unclear how much longer the Swatch craze could sustain the company's current growth trajectory. Meanwhile, a bold plan for generating new growth was met with skepticism by the market. "I created a plan," Hayek

recalled. "But [analysts] told me, 'You will never get those numbers'" (L10). An earlier effort to diversify beyond quartz watches into other electronic products had borne little fruit. In turn, Hayek began to revise his earlier goal of retooling SMH to be primarily an electronics company. According to a biographer, he set a new goal for SMH to have a presence in the "ultra-expensive" tier of watch brands, whose prestige was much higher:

> It was Hayek's ambition to belong to the exclusive club. . . . Hayek tried to launch his own brand under the name Louis Brand. This was the name of the man who had founded Omega in 1948. Yet the launch of this new watch brand was a flop. Creating an entirely new watch brand from scratch is difficult and costly. For Hayek, the only alternative now was to buy a well-known prestige brand and so connect with a tradition. In 1992 the moment arrived: Hayek bought the Blancpain brand. Finally, he could set a gold crown on his SMH group (Wegelin, 2010: 107-108).

The acquisition of Blancpain positioned SMH to compete with elite brands like Patek Philippe and Vacheron Constantin, whose watches routinely sold for over $5,000. It also meant that the company Biver had bought for $9,000 in 1982 sold for $43 million and brought the two leaders' contrasting visions together under the same roof.

In addition to Blancpain, Hayek's new goal to have a more conspicuous presence among prestige watches also extended to Omega, a storied brand known for being the first watch worn on the moon. Hayek hoped to reposition Omega as a higher-end prestige brand within SMH "so it could compete directly with Rolex" (SE30). Hayek's earlier goal for Omega, some industry observers noted, had hinged on transitioning much of the brand's mechanical production to state-of-the-art quartz movements. As one industry analyst put it, "Hayek wanted to bring Omega back to life as a quartz brand" (JE4). After assessing the Omega executives, Hayek opted to fire the entire management team. "They were so full of arrogance and stupidity that I didn't have much of a choice," he explained (MJ18). In their place, Hayek began to seek out a committed new leader. "I was looking for a guy who could work day and night, plus Saturday and Sunday," he said (L10). According to a former employee, Biver's success at elevating Blancpain to "a high-

end brand," coupled with his well-known reputation for "arriving each morning at Blancpain by 3:00 a.m." (SE40), made him a candidate to fill the leadership vacuum at Omega. Hayek proposed that Biver return as Blancpain's CEO *and* oversee Omega's turnaround.

Many observers were skeptical that the two could work together effectively. "They were completely different," said an SMH employee who had worked with both men. "Hayek was an industrialist, very cost-oriented. Biver was an artist" (SE46). Another former employee commented, "We all knew that there was a lot of ego, and they were both strong people" (SE31). But an employee who joined the two leaders at lunch after the acquisition recalled that Hayek "put his ego aside" and said to Biver, "I hope you will stay with me. I don't know the rules of the game for mechanical luxury watches. It seems that you know how to drive a luxury watch brand" (SE47). One journalist wrote, "[Hayek's] mandate was clear: Biver's magic marketing had brought Blancpain back from the dead, 'Now do that for Omega'" (Thompson, 2018). After meeting face-to-face, the two men chose to work together despite overtly opposing visions for responding to the quartz crisis. Biver—the go-it-alone entrepreneur whose relaunch of Blancpain a decade earlier had been motivated, in part, by "not wanting a boss"—now agreed to join forces with Hayek who put aside his "one brilliant man" ego, to bring in a new form of brilliance.

Relational exchanges: trust and frequent interactions. Hayek promptly invited Biver to spend several days as his houseguest to discuss norms for working together and how Biver might contribute to SMH. Biver recalled how the encounter shaped their initial relationship:

> I came to the house. His wife had prepared a wonderful room with roses. There was an incredible good smell of the roses, and I nearly thought I was in my grandmother's sleeping room. I stayed with Hayek near the pool and we discussed. He said he wanted to elevate the average price of Omega, to bring back the prestige. And he wanted Omega to drive the entire group [of SMH brands], to lift the whole thing. He said to me, "You are the only one in the group for the moment who understands luxury." And I said, "But Mr. Hayek, Omega is not my specialty." He said, "Doesn't matter. You are going to help me; we're going to do it together." (L5)

According to Biver, they agreed that their relationship called for daily direct contact, and that

Biver would be treated as a "privileged" (L6) personal advisor to Hayek. For Biver, taking the helm at Omega represented a departure from the playbook that had guided the revival of Blancpain. Overseeing Omega required modifying elements of his preservationist views to align with Hayek's vision of modernizing SMH. According to an industry expert, "Jean-Claude [Biver] had to shift from 'the mechanical watch champion of the 1980s' to a neutral position so he could promote Omega's quartz watches. Omega was a much bigger industrial product than his little batch boutique brand Blancpain. He was now part of a huge industrial group" (JE3). At Blancpain, Biver had championed a specific watch technology; now, Hayek was entrusting him with financial resources to partner with brand ambassadors to promote Omega's quartz *and* mechanical watches. Biver contracted with MGM Studios, the actor Pierce Brosnan, and the James Bond film franchise to revive the Omega Seamaster line for men; he even visited every country where a Bond movie was released to publicize the brand. Meanwhile Biver leveraged the publicity campaign to advance his preservationist vision, using it to meet with aficionados around the world to seek input and create groups of Omega collectors. As one of his employees noted, "Jean-Claude knew how to build a community [of watch enthusiasts]" (SE39).

As Biver rolled out his activist approach to branding, Hayek communicated his trust and support of Biver to SMH skeptics. A former SMH employee recalled one such instance:

> Some of the directors of the subsidiaries were against Mr. Biver's new advertising campaign. They went to Mr. Hayek all together, saying, "We don't like what's happening at Omega. We think Mr. Biver is wrong." And Mr. Hayek, I remember, always said, "Jean-Claude has my confidence. If you have any problem, you speak with him." (SE39)

Hayek and Biver frequently debated product strategy. According to one SMH employee, Hayek "thrived on debate" and Biver "nourished himself with heated dialogue" (SE34). The two argued, for example, about how to revive the Omega Constellation, a failing product line for men. Hayek advocated for a new design that would draw on SMH's modern quartz capabilities;

Biver argued for preserving certain case-design features of the original model. Biver later described how frequent interactions helped the two leaders navigate their opposing views:

> One of the first important decisions we made together was about the Omega Constellation. It had been designed in the1980s [as a mechanical watch], and after 13 years it had grown tired—little sales. Hayek wanted to invest in a new watch design. I argued and said, "No, if we kill the old, how can we be 100% sure that the new will be better?" I believed it just needed a facelift and we could give a rebirth to the watch. So I suggested we partner with a new brand ambassador, Cindy Crawford. Hayek said no. "It's a man's watch, for men. It will not match." But after I convinced him of my marketing approach, Mr. Hayek agreed: "Let's do a facelift—let's make it a woman's watch." (L3)

As part of an eventual entente, Biver manufactured the Constellation line largely with modern quartz movements to fully utilize the new production processes Hayek had put in place. Meanwhile the brand ambassadorship he orchestrated with supermodel Cindy Crawford emphasized "timeless" watchmaking. As Crawford herself observed:

> It was about quality and timelessness. Typically, models would be hired for one advertising campaign and that would be it. But Jean-Claude understood the importance of developing a long-term mutual commitment. Early on, he asked if I would tour the factories so he could share his passion for the art of watchmaking with me. It was clear he had such a sense of passion and creativity (SE50).

Archival analysis and interviews reveal that frequent interactions between the two leaders precipitated a gradual evolution in Hayek. "An industrialist" (SE30) at heart, several SMH employees observed that Hayek's adoption of the preservationist outlook favored by Biver did not occur immediately. An early debacle offers insight into Hayek's initial unfamiliarity with the importance of preservation. After acquiring Blancpain, Hayek ordered new brass signage for the entrance to the farmhouse and new business cards for employees that read "Blancpain: A Member of SMH." Biver later recounted a dispute that ensued with Hayek:

> I called Hayek and said, "If you put "a member of SMH" [on the building], how many more watches will we sell?" He said, "Are you not proud to be a member of SMH?" I said, "It's not a question if I'm not proud. The more the customer believes Blancpain is independent, that Blancpain is small, that it is in a farmhouse, that it makes every watch by hand, the better it is." He said, "No, no, it belongs to SMH; we have to put SMH everywhere." In those early days, Hayek didn't fully understand high-end [mechanical] brands. But later he became the expert. (L4)

To manage the tensions that inevitably arose from their opposing viewpoints, Hayek and Biver developed a set of daily working routines. According to Biver, they spoke early every day, before their respective teams could weigh in:

> I was in permanent contact [with Hayek] on the phone, very often before work hours. This gave me incredible power and speed. Power because I had Hayek behind me. Nobody knew that at 6:00 a.m. in the morning we had already made the decision. And speed because it was a phone call for four or five minutes. I'd say, "We're starting tomorrow. Can we do it?" He'd respond, "Yes, go." The conversations were quick. And when you have power and speed, you are unbeatable. (L6)

Biver also noted how important it was that they worked out their differences alone:

> It was just between the two of us. There were no other people. I was in direct discussion on the phone or in his office. When you have no other people, there's no politics. Politics comes when you have other people who want to show that they know better. The direct contact with Hayek was constant. He trusted me. (L5)

The two leaders' regular interactions and mutual trust enabled them to address concrete strategic questions related to preservation and modernization in ways that appeared at odds with their respective initial visions. To resolve their debate about whether Omega should hold exclusive rights to SMH's factory movements, for example, Biver agreed that Omega's mid-range models, such as the women's Constellation line, would house a non-exclusive modern quartz movement. In turn, Hayek agreed that Omega's more expensive men's watches should be positioned as embodiments of traditional watchmaking art. Hayek's previous investments had been concentrated exclusively in quartz production. But after several months of private conversations with Biver, Hayek bought the patent for a unique new mechanical component, a *coaxial escapement,* which required no lubricant because it generated such low friction. Later recognized as one of the most important watchmaking inventions in 250 years, coaxial escapements were housed only in Omega's highest-grade watches and were immediately coveted by aficionados (Clerizo, 2013). In subsequent years, according to SMH employees, journalists, and historians, Biver spent considerable time educating Hayek and his team on how to preserve

high-end mechanical watches using a strategy that would define them as "watchmaking art" (L1) that could be valued for their craftsmanship and whose craftsmanship merited higher prices. In turn, the daily interactions with Hayek began to influence Biver: "Mr. Hayek taught me that you have to dominate in every market segment," Biver later recalled. "You have to be involved in every market. If you retreat just to luxury, you'll die" (L6). Observers noted that Hayek and Biver had formed a "complementary" (SE50) relationship based primarily on "mutual admiration and trust" (JE2).

Structural boundaries: shared territory and skills. The two leaders established structural boundaries to shape their ongoing interactions. Though they had never met prior to the Blancpain acquisition, Hayek offered Biver a seat on the SMH board as part of the deal. The position carved out space for Biver on Hayek's leadership team that helped Biver reconsider elements of Hayek's modernization approach. According to Biver, the Omega role created space for him to personally embrace aspects of quartz manufacturing and parts of Hayek's vision:

> Mr. Hayek knew that if I would only take care of Blancpain, I would no longer feel like an entrepreneur; I would feel like an employee. That is the reason why he gave me Omega. This brought me huge motivation because, for the first time in my life, I would have to run a company that was not my taste. Blancpain—it was me, it was my vision, it was my product, it was my sex appeal, it was made by my people. But Omega—it was an international brand. It was not my taste. It was not my brand. It was not my product. It was not my sex appeal. It was even not my people. I would have to adapt my vision. (L16)

Biver also found ways to create shared territory for Hayek to embrace his vision. According to several employees who interacted with Hayek in the early 1990s, Hayek initially seemed less interested in branding and marketing—areas where Biver excelled—than in finance and operations. "Hayek mostly cared about the numbers, about budgets" (SE40), one employee observed. An industry analyst concurred: "Mr. Hayek wanted to build an industrial base. Value engineering, he loved that. This was the way to save the industry" (JE4). To raise awareness for Omega, Biver began to host Omega events around the world featuring celebrity ambassadors like

Crawford. Such events were occasions when he and Hayek made room for each other to appear side by side in their respective leadership roles. A former employee of both men recalled:

> They both wanted to be in the media. But at these events, they were giving of themselves and sharing their existence. They really enjoyed the presence of the other. This was very important. What is surprising is that they would leave space for the other. Biver would leave space for Hayek. When Hayek came to an event, [Hayek] was the one giving the interviews; he was the one being in the pictures. He was the boss. (SE49)

Biver's deference to Hayek and his decision to "leave space" for him was surprising. Earlier in his career, Biver had attributed his investment in Blancpain to his unwillingness to "work for a boss" (L3). He seemed, however, to view Hayek in a different light: "I had too much for respect for Mr. Hayek," recalled Biver. "I had admiration for his skills in finance, in industry" (L16).

Although both leaders invited each other to attend events and meetings hosted by the other, Hayek and Biver often saw things differently. For example, Hayek planned to utilize his factories to produce quartz and mechanical movements for Omega watches, for other SMH brands, and for sale to outside competitors. Biver wanted to limit Omega's more specialized movements to the Omega brand to enhance its prestige. Because of SMH's group structure, Hayek's factory production teams were financially motivated to sell as many movements as possible, regardless of the brand that would house them. To resolve such tensions, Hayek and Biver would meet privately, establishing shared territory where Hayek would propose how to modernize and automate some of Omega's production lines; and Biver in turn would advocate for preserving elements of the brand's storied past. At these meetings, "Hayek gave me responsibility for product and marketing," Biver pointed out, "and he was controlling production and logistics." (L5). The meetings created space for both leaders to hash out problems together.

Biver's once-strict preservationist policies at Blancpain evolved to accommodate elements of Hayek's vision for modernizing SMH. Biver recalled, "To manage [Omega] was a challenge for me because I said to myself, 'If I'm successful at Omega, that means I can be

successful not just with my prior vision, but by adapting my vision to another brand'. . . . When we began to restructure Omega, I had Hayek as a partner" (L3). For Hayek, the Biver partnership introduced into SMH a proven leader who understood how to preserve mechanical watchmaking (Donzé, 2011a). After Biver took the helm at Omega, the brand experienced a near-threefold increase in revenue. Between 1995 and 1999, sales increased from $350 million to nearly $1 billion. Hayek later expanded Biver's role to include overseeing product development and marketing for all SMH brands, providing additional territory for ongoing interaction.

After working with Biver for nearly seven years on revitalizing Omega, Hayek began to incorporate aspects of Biver's preservationist approach into his other SMH brands. According to an industry historian, "History and tradition entered [SMH] through Blancpain;" the 1992 acquisition of Blancpain provided the impetus to incorporate the "skills of Biver and his team, then to apply them to the group as a whole" (Donzé, 2011a: 15). The blending of skills is perhaps best illustrated by Hayek's decision in 1999 to acquire and personally lead the indebted Groupe Horloger Breguet, reportedly for CHF100 million. Founded in 1775, Breguet was a coveted name in mechanical watchmaking. Given his skillset, most SMH employees and industry insiders believed Biver to be the logical person to nurture Breguet's traditional approach to mechanical watchmaking (JE2). Hayek apparently had other ideas. Biver recounted a phone call with Hayek immediately after the purchase:

> Once he had bought Breguet, Hayek called me while I was on a trip. I said, "It's fantastic Mr. Hayek! And now we should set up a separate small department for the high-end brands and I can run it." And he said, "No, we will not do that, because I'm going to run Breguet." I said, "You're going to run Breguet?" "Yes," he said. "I have the experience." (L5)

Hayek's decision to oversee Breguet himself marked a dramatic shift from his prior modernization approach at SMH. Hayek stated, "When I acquired the company, I told my people 'Nobody is going to touch Breguet. I will show you what to do with it'" (WT1). Biver reported

being disappointed, but he and Hayek continued to collaborate. As one industry insider observed, "Biver maintained a direct line to Hayek" (JE6). In retrospect, Biver commented, "I was with Hayek in Breguet nevertheless. We were very complementary. He was running it, but I was on the management committee" (L6).

Hayek set out to revive Breguet's image and mechanical watchmaking prowess by investing in a lavish campaign to celebrate its history. He commissioned the company's watchmakers to painstakingly recreate the "Marie Antoinette" pocket watch, developed in 1792 by Abraham-Louis Breguet for the Queen of France (Noel, 2008). At the time, and for nearly a century thereafter, it was considered the world's most complicated mechanical watch. To unveil the new watch, and to link the brand's history to its revival under his leadership, Hayek hosted an event at the château of Versailles in France, Breguet's birthplace. "I look at this work of art . . . [and] it's a huge source of pride," said Hayek. "This watch is [now] part of Breguet's heritage" (L17). An industry analyst shared an anecdote about the event that conveys how thoroughly Hayek's initial vision of making SMH's quartz production lines more efficient (with Swatch) had shifted by the time he took the helm at Breguet:

> Hayek flies us all into Versailles; it's a black-tie event. The world press is there, guests from Paris, political people are there. I'm walking up the steps as we're getting called into the banquet. I hear this guy standing to my left saying, "I can't do a damn thing about this." I look over and it's a member of the SMH senior leadership team. He might be talking to me, but I'm not sure. He says, "Look at this. Do you have any idea what this is costing us?" And I realize he is referring to the fact that Hayek is spending a bloody fortune on Breguet. Hayek has become Biver, who spends like crazy to preserve and build a brand. (L10)

In the words of a biographer, "Hayek put his heart and soul into doing everything he could to revive the old days [of Breguet]. He skillfully deploys this history. . . and understands brilliantly how to keep revising the aura surrounding the brand with anecdotes and legends" (B2). Within eighteen months of taking over Breguet, SMH reported that orders had increased from 4,000 to 12,000 watches annually. In subsequent years, Breguet produced nearly 30,000

watches annually, regularly reporting double-digit revenue growth.

An industry reporter, commenting on the evolution of Hayek's skillset at SMH—from expert in engineering, operations, and modernization programs to magnate responsible for preserving one of the world's oldest watch brands—recalled how Hayek had begun their final interview before his death in 2010: "I said, 'Hello, Mr. Hayek.' He looked at me and said, 'You are not in the office of a businessman. You are in the studio of an *artist*'" (JE2).

Sustained paradox and strategic reorientation. By 2001, SMH was the world's largest watch company, consisting of 18 brands, more than 20,000 employees, and over one-third of watchmakers in Switzerland. In the 1980s, when Hayek presented his initial restructuring plan to Swiss banks, he had estimated SMH's value as CHF328 million ($180 million) (Breiding, 2013: 43). In 2001 SMH reported annual revenue of CHF4.2 billion ($2.5 billion). Net-income margin had risen from 9.3 percent to 13.2 percent in the preceding decade (Figure 3). An industry historian pointed out that SMH had initially defied centuries of production norms to respond to the quartz crisis (Donzé, 2011b). A company historian (H3) observed that Hayek's and Biver's visions, once merged, had gone even further: their combined vision had modernized the company's manufacturing processes *and* preserved aspects of its heritage. After working together for nearly a decade, the company's reoriented strategy embraced several *organizational inconsistencies* associated with both leaders' initial visions and continued to fuel a preservation-modernization paradox (see Table 2). By 2001, SMH's core technologies included a mix of quartz and mechanical variants; its economic model offered low volume/high prices for mechanical prestige brands like Breguet and high volume/low price for quartz models such as Swatch; and the heritage of Swiss watchmaking had been preserved in several models and in the company's marketing materials while modernized production techniques were introduced into

SMH's quartz and mechanical manufacturing processes.

----- Insert Table 2 and Figure 3 About Here -----

To the surprise of many, "the sparks predicted to fly between Hayek and Biver because of their strong charismatic personalities" (AT4) and egos did not materialize. In an interview with an industry reporter, Biver observed that "the chemistry [with Hayek] is right" (AT4). Hayek in turn commented that "Jean-Claude [has] become very SMH-minded" (MJ19). An industry journalist reported that Biver's stature continued to rise within SMH: "Biver was at the peak of his power. Head of Blancpain and de facto head of Omega, he was the dashing Lancelot in King Nicolas's [Hayek's] Court. As Hayek's confidante and right-hand man, he was one of the most powerful people in the Swiss watch world" (Thompson, 2018). Hayek and Biver appeared to have nurtured a generative approach to SMH's strategic reorientation. A watchmaker who bought movements from SMH in the 1990s described the relationship he had seen form between the two: "Biver and Hayek, when they met, found some way to work together. It's why I think Hayek was quite clever, because he knew quite quickly who was powerful, who was very dynamic and full of energy" (W5).

Although their initial visions appeared at odds, each leader eventually came to see the other's vision as compatible with his own. In an interview, Hayek recalled that "I told [Biver], 'Your product strategy is exactly like mine'" (MJ19). Biver in turn commented, "I was probably the only one who understood Mr. Hayek 100 percent. I was the only one who shared his vision." (L2). Table 3 offers supplementary quotes to support the findings presented above.

----- Insert Table 3 About Here -----

Divergent visions and novel strategies: Modeling how leader-dyads surface and engage the preservation-modernization paradox

Based on the concepts that emerged from our historical case data, Figure 2 outlines how leaders

with divergent visions for their organization can sustain a paradox of concurrent preservation and modernization, and leverage it to generate a novel strategy.

----- Insert Figure 2 About Here -----

As contextual background, the model begins with a technological discontinuity (Anderson & Tushman, 1990) to which leaders respond with alternative visions for addressing the new technology. Such junctures often pit leaders' visions against each other (e.g., Sull, 1999; Tripsas & Gavetti, 2000); some focus on *preserving the past*, others on *modernizing for the future*. Three *organizational inconsistencies* were salient after SMH acquired Blancpain: differences in core technologies, in economic models, and in the time orientation of focal practices. Scholars have shown that such inconsistencies are likely to fuel conflict, ambivalence, and/or poor decision-making among senior leaders (e.g., Christensen, McDonald, Altman, & Palmer, 2018; Gilbert, 2005; Vuori & Huy, 2016). Our model proposes an alternative scenario—at odds with prior work and informed by paradox theory—in which senior leaders with conflicting visions jointly generate a novel strategy for their organization. It outlines a set of mechanisms—associated with leaders' *individual* practices, *relational* exchanges, and *structural* boundaries—that inform this generative process.

Individual practices: redefining personal goals and subjugating egos. We found that leaders' receptivity to *redefining personal goals*—willingness to entertain new goal orientations—influences a leader's disposition to interact with a peer who embraces a different vision. Prior to working with Biver, for example, Hayek had begun to reassess his initial goal of turning SMH into an electronics company and had shown interest in being a member of the "exclusive club" of prestige mechanical-watch manufacturers. For Biver, the sale of Blancpain to SMH was an impetus to revisit his earlier goal to work for himself. An initial willingness of each

leader to redefine goals appeared to have been a precursor to each leader engaging with and learning from the other's vision. In other domains, scholars have shown that an individual's goal orientation (Dweck, 2008), or "predisposition to set certain types of goals" (Hendricks & Payne, 2007: 318), can impact his or her effectiveness and willingness to learn. Likewise, management-development studies have emphasized the link between employees' goal orientations and learning (Dragoni, Tesluk, Russell, & Oh, 2009). We extend this work to the domain of senior leaders and show how personal goal redefinition enhances leaders' readiness to learn from a peer with a seemingly incompatible vision for the organization.

Our analysis also identified how *subjugating egos,* which we define as willingness to moderate narcissistic and self-absorbed behavior, as another individual practice that fosters generative interactions between leaders with divergent visions. This finding was unexpected, given that both leaders were said to have "large egos." Studies of narcissism in leaders have postulated that such individuals are driven by a need to "dominate and control others" (Chatterjee & Pollock, 2017: 704). By contrast, we found leaders who self-regulated their need to control the other. By subjugating their egos, Hayek and Biver appeared to have mitigated the power struggles (Berti & Simpson, 2021) and performance declines that often emerge when high-status leaders interact (e.g., Groysberg, Polzer, & Elfenbein, 2011). For Hayek, subjugating his ego meant accepting "help" from Biver after failing to develop his own prestige watch brand; for Biver, it entailed working for someone else again after regretting the decision to "sell the people who had made him successful" to SMH. When considering our findings through the lens of leadership research on "productive narcissism" (Maccoby, 2004; Waldman & Bowen, 2016), we find that humility enables the self-regulation necessary for leaders with divergent visions to put ego aside and engage with the paradoxical tensions between them. Our findings illustrate

how ego subjugation enables leaders to share personal limitations and prior mistakes, which in turn fosters dialogue about what can be learned from each other. Timing also matters: the act of subjugating one's ego appears to be an initial proviso for collaboration, rather than rivalry, for leader-dyads with divergent visions.

Relational exchanges: cultivating affective trust and interacting frequently. Analysis also revealed how leaders with divergent visions can establish relational norms for working with each other. First, *cultivating affective trust* heads off anticipated relational conflicts that can arise when leaders hold divergent visions. Scholars of trust differentiate two types of interpersonal trust: cognition-based trust "grounded in individual beliefs about peer reliability and dependability," and affect-based trust "grounded in reciprocated interpersonal care and concern" (McAllister, 1995: 25). Cognitive trust is based on an expectation of reliability and the other party's adherence to his or her reciprocal responsibilities (Johnson-George & Swap, 1982); affective trust is distinguished by "genuine care or concern" for the other that leads both participants to make "emotional investments" in their relationship (McAllister, 1995: 26). Unique to Hayek and Biver's relationship, we found both cultivated trust that exceeded the contractual terms of the Blancpain acquisition (i.e., cognitive trust); we witnessed how they both grew to "enjoy the presence of each other" (i.e., affective trust) and in turn found ways to spend time together (e.g., at media events; in private meetings). We also found that affective trust needs to be cultivated from the beginning of a relationship and maintained over time (e.g., Hayek inviting Biver to stay at his house). Thus, an antecedent to affective trust cultivation is the frequency with which leaders choose to engage with each other.

Interacting frequently, conceptualized as repeated interactions that promote the free exchange of ideas and joint decision-making, is the second relational exchange mechanism in our

model. Scholars have observed that senior leaders often fail to establish norms that foster productive forms of conflict (Eisenhardt, Kahwajy, & Bourgeois, 1997; Jansen, George, Van den Bosch, & Volberda, 2008); by contrast, Hayek and Biver spoke by telephone daily, in private, and hashed out their differences. We found that interacting frequently allows leaders with divergent views to speak frankly in a psychologically safe setting (e.g., Edmondson, 1999), to negotiate in private, and eventually to adopt approaches that incorporate elements of both visions. Interacting frequently also serves as a mechanism for leaders to negotiate ongoing tensions that emerge from divergent preservation–modernization visions. For leaders like Hayek and Biver who "thrive on debate," frequent interactions cultivated both/and generative decision-making over the course of a multi-year partnership. As leaders with divergent visions engage in frequent debate over time, conflicts invariably arise about which elements of the organization to preserve and which to modernize. Interacting frequently, however, appears to reduce the risk that they will fail to develop a sense of identification with each other—a factor commonly blamed for unproductive conflict (e.g., Amason & Sapienza, 1997; Wall & Callister, 1995). Especially when conflicts arise about an organization's strategy, interacting frequently fosters opportunities for leaders with divergent visions to gradually cultivate affective trust and generate novel "both/and" strategies on an ongoing basis.

Structural boundaries: carving out shared territory and synthesizing skills. Carving out shared territory allows leaders to create space for each person to temporarily enter the other's domain. Such interactions offer experiences for involvement in each other's work, to walk in each other's shoes, and to get exposure to each other's visions. Doing so also allows leaders to invite counterparts into their personal space without formally abdicating power or authority (e.g., Biver inviting Hayek to speak at events with Omega's celebrity brand ambassadors; Hayek

inviting Biver to serve on SMH's board and on Breguet's management committee). We found carving out shared territory can also avert the turf wars that bedevil senior leaders tasked with working together (e.g., after an aquisition event, see Marks & Mirvis, 2001). However, creating shared territory does not preclude leaders from maintaining hierarchy, authority, or responsibility to the other. Biver saw Hayek as "the boss," but one who gave him ownership over Omega to feed his entrepreneurial identity; Hayek in turn, treated Biver as a "privileged advisor" ceding informal power to foster a more equal relationship. Both leaders stepped back from their formal positions and create space to learn and interact as peers in this informally shared territory.

We also found leaders need sufficient agency to take ownership of, and to experiment with, a particular segment of the business (e.g., Hayek oversaw all manufacturing and operations as CEO of SMH; Biver concentrated on the Omega turnaround). When both leaders hold substantive positions, each can shape the organization's future in parallel. In our case, boundaries sufficient for each leader to maintain autonomy over a large segment of the organization allowed both leaders to invite the other into his territory. Adequate separation may prevent infighting and turf battles, but the act of ceding power (Huq, Reay, & Chreim, 2017) and then carving out shared territory allows in ideas; in combination, the two structures permit leaders to simultaneously maintain and create space to experiment with and incorporate each other's visions. Prior research has pointed to the efficacy of distinct structures to maintain paradoxical and/or incongruent strategies (O'Reilly & Tushman, 2008). Alternatively, in the context of a leader-dyad, carving out some shared territory appears to minimize defensive posturing that can arise when leaders feel threatened by an alternative vision that seem to be at odds with their own.

Our model also illustrates that *synthesizing skills*—amalgamation of the skills between senior leaders—equips leader-dyads to embrace and sustain the preservation-modernization

paradox. In our case, the two leaders possessed distinct skill sets that shaped their initial visions. (Hayek's expertise was in financial restructuring and process reengineering; Biver's realm was product development and the branding of prestige mechanical timepieces.) We would have expected the two, when working together, to limit themselves to exploiting their existing skills and leveraging their functional complementarities (Alvarez & Svejenova, 2005). Research suggests that leaders can feel personally challenged when asked to adopt skill sets that fall outside their core capabilities (DeRue & Wellman, 2009; Kanter, 2001); they fear making mistakes or appearing vulnerable (Bennis, Sample, & Asghar, 2015; Prewitt, 2003). Surprisingly, our analysis revealed that Hayek and Biver began to acquire skills initially associated with the other's expertise (e.g., Biver learned about Hayek's factory automation techniques for Omega; Hayek learned about repositing a historical brand like Blancpain from Biver and then applied the lessons to Breguet). We propose that leader-dyads who acquire some of each other's primary skills are better equipped to embrace and sustain a paradox of preservation and modernization; synthesizing skills facilitates novel combined approaches to strategy generation.

Sustainment of paradox and strategic reorientation. Taken together, the mechanisms we have identified help leaders sustain a preservation–modernization paradox that generates novel strategy. SMH emerged from the 1990s as a company that embodied elements of both leaders' visions, but only after Hayek and Biver had worked together in the same organization to create a vision that embodied the paradox. First, we found both leaders' individual practices encompassed a willingness to engage with each other. Both entered the relationship willing to subjugate their own egos in each other's presence. Both had also recently redefined some personal goals, which we found to have generated readiness to embrace alternative views (and each other) with a learning mindset. Second, the nature of their relational exchanges built on and

reinforced these individual practices. Through frequent interactions, the two leaders moved beyond simple task interdependence to build affective trust. This bond deepened their relationship and their mutual respect, further facilitating a willingness to self-regulate and to accommodate the other's goals. Third, the leaders' individual practices and relational exchanges were manifested in how they managed structural boundaries; while Hayek and Biver had clear roles and distinct responsibilities, they carved out shared territory that enabled them to influence strategy across those boundaries. Creating shared territory enabled the synthesis of skills, whereby—via either deliberate investment or the intensity of their interactions—each acquired skills from the other. As Figure 2 illustrates, these mechanisms were interrelated and mutually reinforcing. Jointly, they helped to reorient both leaders' visions and brought them together to generate a novel strategy. Finally, the recursive nature of the model is expressed by the double-headed arrow linking the model's mechanisms to the sustainment of paradox. Ongoing tensions fuel the preservation–modernization paradox that initiates ongoing strategic-reorientation efforts.

DISCUSSION

This paper has explored how leaders with divergent visions for their organization come together to create a novel strategy. Specifically, we have sought to unpack how and why leader-dyads integrate seemingly inconsistent strategies to produce a new generative approach. Drawing inspiration from a qualitative historical case study of *Société de Microélectronique et d'Horlogerie* during the quartz crisis in Swiss watchmaking, we induced a process model from the activities of two senior leaders who facilitated a strategic reorientation that surfaced and sustained paradox. With the model as an organizing device, we explain our contributions in light of what is known about the management and outcomes of strategic paradoxes. In the course of tracing the theoretical and practical implications of our model and findings, we also address several conundrums associated with leading organizations confronting paradoxes.

Theoretical Contributions and Implications

We initially invoked paradox theory to mine its concepts and terminology for insight on a vexing organizational problem: how leaders with divergent visions formulate a response strategy in the wake of a technological discontinuity (Christensen et al., 2018; Raffaelli et al., 2019). Paradox theory proved uniquely suited to making sense of our data—especially the inherent contradictions between strategies that hinge on preserving the past and those aimed at modernizing for the future. Even so, the insights we gleaned from our empirical investigation reverberated recursively, suggesting confrontations, revisions, and extensions to paradox theory itself. We turn to these.

Management of strategic paradox: how leader-dyads embrace contradictions embodied in relationships. Our study's first contribution speaks to debates about the locus of paradox. In prevailing models of paradox, responsibility for sustaining strategic contradictions resides in a single entity: either the senior leader (in leader-centric models) or his/her senior team (in team-centric models) integrates conflicting organizational goals and mediates between poles (Ashforth & Reingen, 2014; Jay, 2013; Smith & Besharov, 2019; Smith & Tushman, 2005). Our work builds on a less mainstream "relational" conception of paradox, which has thus far largely remained theoretical (see Clegg et al., 2002; Gebert, Boerner, & Kearney, 2010); we scrutinize the relationship formed between leaders promoting opposing strategies and whose co-presence helps sustain the tension. Our study thus provides an empirical illustration of the compelling theoretical possibility that *relationships between senior leaders* (the leader-dyad) can embody persistent tensions and strategic contradictions.

Relationships between powerful leaders propelled by different views of the future are apt to be difficult to sustain. Existing scholarly research, practitioner literature, and historical precedent all tend to foresee disagreements over competing visions that introduce strain into

interpersonal interactions (Heenan & Bennis, 1999; Tushman et al., 2011) and spark "turf battles" (Fiegerman, 2016; Heilemann, 1997; O'Toole, Galbraith, & Lawler, 2002) . It is easy to invoke well-known scenarios in which strong, determined leaders could have brought together opposing visions to create something bigger and better, but egos, anger, defensiveness, and cognitive commitments got in the way. One can readily imagine what happened behind the scenes when Steve Jobs was initially ousted from Apple for having too sweeping a vision, and what those relationships (e.g., between Jobs and Sculley) could have been like (see Isaacson, 2011). Similarly, Steve Ballmer asserted to the *New York Times* in 2000 that "on a personal level, the kind of relationship that Bill [Gates] and I have must be totally unique in the business world. The times Microsoft has been faced with challenges is the time we have done our best work" (Markoff & Lohr, 2000: 53). But when Microsoft faced perhaps its most vexing strategic challenge, in the wake of the Smartphone revolution, the duo's relationship reportedly became "strained" and Ballmer exited the company (Fiegerman, 2016). By contrast, Southwest Airlines' joint leaders, Colleen Barrett and Herb Kelleher, and Netflix's Reed Hastings and Ted Sarandos—leadership duos whose personal visions differed conspicuously—effectively steered their organizations through several tumultuous periods with their interpersonal relationships intact (see Gittel, 2003; Shih & Kaufman, 2014). Our model, with its emphasis on interpersonal interactions, offers insight into how leaders who may be impassioned and adamant in their differences nonetheless come to influence one another.

Whether or not relationally embodied contradictions are fruitful depends, we propose, on how the dyadic relationship forms (its nature) and on how leaders attend to (nurture) the relationship over time. This thesis is consistent with the idea, fundamental to a relational view of paradox, that such relationships emerge from situated practice and cannot be designed *a priori*

(Alvarez & Svejenova, 2005; Clegg et al., 2002). Our empirically derived model specifies three types of leader-dyad mechanisms—individual practices, relational exchanges, and structural boundaries—that collectively contribute to sustaining strategic contradictions.

First, our model posits that redefining personal goals and subjugating egos are the key individual-level inputs to relationship formation and ongoing engagement. A leader with a clear vision may be willing to work jointly with a colleague who holds opposing views. But when leaders redefine their personal goals (e.g., broadening them to align with those of other stakeholders) and subjugate their egos—despite past successes that attest to their original goals' achievability and their visions' viability—they put themselves in a uniquely receptive state to allow influence. This insight was unexpected. Indeed, existing theory seems to hold out little hope for productive collaboration between leaders with track records of high-profile successes achieved by doing things their own way (Groysberg et al., 2011; Toney & Brown, 1997). This insight is also useful because it implies that, under the right circumstances, even strong-ego and narcissistic leaders can be influenced. Importantly—and as indicated by its position in our model—we posit that these individual-level practices are precursors for the other mechanisms and are thus key enablers of joint influence.

Maintaining a relationship in the face of uncomfortable tensions is still likely to be difficult (Amason, 1996). Thus, second, our model specifies frequent interaction and cultivating affective trust as interpersonal exchanges that help sustain the paradoxical tensions situated in the leader-dyad's relationship. While classic work on ambidexterity presupposes a clear existing strategy and a unified strategic vision that create urgency to "eliminate those who oppose" both (O'Reilly & Tushman, 2008: 198), our model suggests sustaining paradox embodied in the leader-dyad means accepting a strategic pluralism and juxtaposing, even embracing, opposing

visions. Such an approach may only work when the relationship embodying the paradox involves two people who work together as if they are peers (even if formal role hierarchies may exist).

This insight differentiates our contribution from research on "leadership couples" (e.g., Gronn, 1999) and "managerial couples" (Krantz, 1989), which typically specifies a clear superior–subordinate relationship as a core feature of the dyad (Graen & Scandura, 1987). Even research that delineates between hierarchical and partnership forms of professional duos points out that the latter is both less common and less stable: "[partnerships] can later turn sour when difficulties arise and business complexities increase, and equal partners may start making unequal claims and require more power" (Alvarez & Svejenova, 2005:125). Our model requires a leader-dyad that cultivates affective trust and that interacts frequently, enacting the principles of a joint partnership independent of the formal hierarchy. Sustaining the paradox is embodied in the dyad; so is the capacity to do so.

Prior research on leadership duos has also attributed the breakup of certain high-profile professional duos to their task-based genesis (which lack an affective component) (see Alvarez & Svejenova, 2005), or to the absence of a mediator to hold fraught relationships together (Maccoby, 2004). Our work similarly suggests that a purely task-based genesis creates less stable leader-dyads—but also that it may be possible to construct a leader-dyad that is both/and (task-based *and* affective) by investing in the development of both affective and cognitive trust inherent in each form. Doing so may also allow for a more robust relationship, grounded in both affective and task-based connections that in turn enable more engagement with paradox. On mediators, our findings depart from prior work by suggesting that frequent interaction in the *absence of any mediators (or observers)* may be helpful in avoiding destructive infighting.

Prior research has also shown that leaders with opposing strategies often claim their own

space and then try to convince others of the merit of their views (Ashforth & Reingen, 2014; Besharov, 2014; Jay, 2013). Alternatively, leaders seek to maintain different roles for each pole, with someone else serving as an integrator (i.e. Smith, 2014). In our study, we found that the two leaders in the dyad let go and stepped back from their initial stances, making space for the other, and demonstrating that they were willing to learn.

Third, our model emphasizes carving out shared territory and synthesizing skills as complementary structural boundaries that foster mutual learning. Leaders who take on positions in the organization—willingly or in response to direction—that force them out of their comfort zones build complementary skills; they also come to see value in someone else's perspective, infusing the relationship with meaning and potentially prompting changes in individual practices. Much prior work emphasizes organizational designs as key structural interventions that enable the pursuit of conflicting strategic goals (Adler et al., 1999; Gibson & Birkinshaw, 2004; He & Wong, 2004; O'Reilly & Tushman, 2004) by leveraging complementary skills to divide and conquer the "infinite job" of leadership (Alvarez & Svejenova, 2005); by contrast, our work points to simple sharing (or swapping) of positions, both formally and informally, as leaders create shared space for one another to shine and to learn new skills. This insight is consistent with organizational efforts to formalize antagonism via structural role separation—CFO/CMO, provost vs. president, and advertising/editorial (e.g., Schudson, 1981)—as a way of managing risk; however, we carry this notion a step further by pointing out the potential usefulness of switching positions voluntarily (or at least allowing flow between positions) as a way of devising strategy. In summary, this study's mechanisms allow leaders with divergent visions not only to exert and absorb influence, but to sustain strategic contradictions embodied in their relationship.

Outcomes of strategic paradox: how senior leaders generate novel strategy by

leveraging tensions and contradictions. Our study contributes to research on the creative generativity of paradoxes: the facilitation of novel strategies that invite organizational renewal. According to existing theory, an organization's response to changing environmental conditions (such as a technological discontinuity) depends on the strategic orientation of its senior executives (Hill et al., 2014; Smith & Tushman, 2005), some of whom perpetuate existing technologies and practices (Furr & Snow, 2015; Henderson, 1995) while others embrace new domains (Christensen et al., 2015). Pursuing both approaches simultaneously within a single organization (as SMH's leaders did) is inconsistent with the defender–prospector theory (Miles & Snow, 1978), but aligns favorably with the paradox theory principle that both/and approaches are often more effective than either/or approaches (Smith, 2014). As recent contributions to paradox research attest, it takes substantial effort to render organizational tensions useful (Pradies et al., 2020): strategic contradictions are as apt to provoke destructive infighting among leaders as they are to inspire novel both/and approaches (Es-Sajjade et al., 2020). Our theory and findings suggest that sustaining certain paradoxical tensions facilitates novel strategies—the kind that productively reorient and renew an organization.

Specifically, our study identifies, defines, and elaborates a category of paradox that has received short shrift theoretically: the *paradox of preservation–modernization*. This paradox is both generative and generalizable. In terms of generativity, it resembles "innovation paradoxes," which involve tensions between today and tomorrow, existing offerings and new ones, stability and change (Andriopoulos & Lewis, 2009; Smith et al., 2016). Innovation paradoxes oblige leaders to address how they are managing for today and for tomorrow; our paradox represents a revised question germane to all leaders of incumbent firms: "*How* are we preserving the past *and* modernizing for the future"? In short, leaders may seek to preserve and leverage the history,

traditions, and practices that contributed to the organization's past success (e.g., Suddaby, Coraiola, Harvey, & Foster, 2020) or to shed that heritage as the organization moves into the future. As our research demonstrates, embracing the preservation–modernization paradox calls for leaders to grapple with tensions between yesterday and tomorrow, between craft/traditions and modern techniques/tools, and between reimagination and invention.

The preservation–modernization paradox is apt to characterize organizations facing a discontinuity (Anderson & Tushman, 1990) to which leaders of incumbent firms are struggling to adapt (e.g., Sull, 1999). To adapt to and survive, incumbents must change course by reorienting their strategies to compete effectively in a radically altered landscape. Such strategic reorientations, commonplace for new ventures (Hampel, Tracey, & Weber, 2020; Kirtley & O'Mahony, 2020; McDonald & Gao, 2019), present a more fundamental question for established organizations: whether to preserve or to modernize.

Rather than either/or, this question can be reframed as a generalizable strategic paradox in that it involves persistent contradictions (Smith & Lewis, 2011). Discontinuities trigger structural, cognitive, and technological inconsistencies (Anderson & Tushman, 1990)—for example, between old and new technologies (or economic models) or between traditional ways of doing things and more modern approaches. Leaders' inclinations toward one or the other inform the visions they nurture for their organizations, and are particularly influential at such times (Tushman, O'Reilly, & Harreld, 2015). Defining vision as "a mental image of a possible and desirable future state of the organization," Bennis and Nanus explain that "with a vision, the leader provides the all-important bridge from the present to the future of the organization." Although leaders may firmly hold to a vision based on the past, or let go and pursue the new (Gilbert, 2005), our findings affirm that choosing between those two alternatives may be unwise

(Smith, 2014) and that leaders bear the responsibility for managing the unique tension therein. Additionally, organizations facing a technological threat might be expected to decline or to wind down in order to survive (Christensen et al., 2018). Our study found neither decline nor retrenchment, but organizational vitality and growth. Thus, in the context of a technological discontinuity, acknowledging and sustaining the preservation–modernization paradox may prove profoundly generative, guiding the formulation of a novel strategy and a fundamental reorientation that invites organizational renewal.

Translation, Scope Conditions, and Future Research

Our study points to several benefits that can redound to senior teams whose members, though at odds in their viewpoints, can overcome the various pitfalls—personality conflicts, ego-bruising turf wars—that promote rigidity. A key to Hayek and Biver's collaboration was their mutual respect and "preferential" status in each other's initiatives. This insight may also apply to Watson and Crick's work on the structure of DNA, to the Wright brothers' mastery of flight, and to the high-tech firms founded by Hewlett and Packard and by Wozniak and Jobs (Hayek and Biver were dual leaders post-M&A, not co-founders). Our research illuminates how joint leadership can evolve from mere complementary skills to a more porous model that fosters a mutual-growth mindset. Future research could explore the extent to which leader-dyads remain complementary, and how our model's mechanisms impact such outcomes.

Researchers could seek out other antecedent conditions that enable a convergence of visions. Hayek and Biver's activities suggest the presence of a shared sense of psychological safety (Edmondson, 1999), which could have fostered their development of overlapping but non-threatening skill domains. Future research could explore the interdependence of affective trust and frequent interaction by investigating the necessary conditions for achieving this degree of dyadic psychological safety, how it is implicated in successful sharing of territory and skill

synthesis, and its role in ongoing goal redefinition and ego subjugation.

Another area ripe for examination lies beyond the organizations that house paradoxical leader-dyad visions. While our study ended in 2001, the impact of Hayek and Biver's actions in the decades that followed reverberated outward to the broader field of Swiss watchmaking (Donzé, 2011b). By surfacing and engaging the preservation-modernization paradox, Hayek and Biver seemed to have provided a visible and viable alternative for the community of Swiss watchmakers in which they were embedded (e.g., Raffaelli, 2019). A new generation of watch executives worked closely with this leader-dyad, engaging the preservation-modernization paradox and the strategic practices it precipitated. These same individuals may have subsequently acted as normative carriers (Scott, 2003) of Hayek and Biver's vision, spreading the paradoxical mindset it embodied as it moved to other organizations. Thus research that maps how leaders with paradoxical visions can reshape industries and fields seems a worthy endeavor.

Like any case-based qualitative research, however rich the data, our work faces scope conditions that present opportunities for future research. One has to do with our empirical setting. The preservation perspective stems from the rich history of Swiss watchmaking, manifested in national pride and a craft orientation characteristic of creative and artistic industries (e.g., Khaire & Wadhwani, 2010). The paradox of preservation and modernization may resonate with other types of businesses and organizations (e.g., libraries confronting digital technologies; the introduction of digital music technologies and satellite radio) (e.g., Navis & Glynn, 2010; Nelson & Irwin, 2014). Any fundamentally new technological trajectory can trigger scenarios similar to what we observed, whose participants could benefit from our findings. We caution, however, that future research could benefit from exploring settings whose conceptualization of tradition is less bound up in the technology itself.

Another issue is the extent to which our findings apply to other forms of technological change. In our case, discontinuity resulted from a technological shift. Elsewhere, for instance, Amazon employed a technological advantage to challenge big-box book retailers and then leveraged its market platform to displace online retailers. In higher education, by contrast, a potentially disruptive technology, online learning, has coexisted peacefully with traditional instruction for many years without causing the sort of shock that the introduction of quartz watch technology did. However, COVID-19 made salient the paradoxical tensions associated with preserving longstanding pedagogy while modernizing the delivery of instruction. Future research could explore how the process of confronting, engaging with, and sustaining paradox operates when discontinuity is precipitated not by a new technology but by radical environmental change.

In sum, it is our hope that this study's findings will prompt future research that further illuminates the generative properties of the preservation–modernization paradox, especially among senior leaders at incumbent firms. Given the complexity that such leaders face when navigating technology change, our leader-dyad focused model of sustaining strategic contradictions to drive novel strategy offers a useful complement to existing approaches to organizational regeneration. More broadly, our findings suggest that whether to preserve or modernize may be a less generative question than which elements to preserve while modernizing. We look forward to future research that explores this question.

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Table 1: Summary of Data Analyzed*

Interviews	
Semi-structured interviews	
Leaders: Hayek & Biver (L),* senior executives (SE), watchmakers (W), journalists and industry experts (JE), retailers (R), government officials (G), trade association representatives (T), horological archivists & administrators (HA), company historians (H), academics (A), collectors and auction house executives (CA)	N = 147 interviews Average interview: 95 minutes Conducted between 2010 and 2020
Archival interviews:	
Articles featuring interviews with Hayek and Biver published in *Modern Jeweler* (MJ), *WatchTime* (WT), and *American Time* (AT).	N = 92
TimeZone (TZ) interviews with senior executives about industry trends and company happenings.	N = 27
Field observations	
Field observations in watch factory of Jean-Claude Biver	1 week
Attended Baselworld, annual premier event with 104,000 visitors, 1,815 exhibitors, 3,300 journalists	8 days during 1 conference, 10–12 hours/day
Attended watch- and clock-making classes at NAWCC School of Horology	1 day
Private tours of watchmaking factories in Switzerland and United States	9 private tours
Supplemental observational data	
Toured national watch museums in Geneva, Le Locle, and La Chaux-de-Fonds, Switzerland	5 museums
Toured Swiss National History Museum, Zurich, Switzerland	3 horological archives
Toured National Watch & Clock Collectors Museum, Columbia, Pennsylvania	
Additional archival data	
Biographies and historical books about Hayek and/or Biver (B)	N = 9
Archival documents (company specific)	
Company-specific books about Swiss watchmaking	58 books
Annual reports and relevant press releases for Blancpain, SMH, and related brands (AR)	All years, 1983-2001
Supplemental archival data	
Swiss watch production, companies, and employees	
Number of Swiss watches produced (mechanical, electric) (source: Federation of the Swiss Watch Industry)	All years, 1970–2001
Number of Swiss employees, management in Switzerland; number of watch companies	
Global trade and competition data	
Export value of Swiss watches overall, by country	All years, 1970–2001
Non-Swiss watch production, pieces, export values (mechanical, electric)	
Macroeconomic indicators	
Consumer Price Index, currency exchange rates, interest rates, GDP (actual, per capita, growth rate, index), consumption (all, household, government), gross capital formation, exports of goods and services, imports of goods and services	Annual (1970–2001) for Switzerland and all major watch export countries
Main exports of Switzerland, by product (1840–1999), geographical distribution of Swiss trade (1990–1999)	

* Labels in parentheses indicate the specific sources for quotes referenced in the text. For example, we assigned each interview a number and used the prefix (L) to indicate an interview with one of the study's focal 'Leaders' (Biver/Hayek), (SE) for senior executives, (W) for 'watchmakers,' etc. We used a similar naming convention for archival sources (e.g., MJ for quotes in '*Modern Jeweler'* magazine).

Table 2: Pre-acquisition organizational inconsistencies vs. post-acquisition strategic reorientation

	Organizational Inconsistencies (Pre-Acquisition)	**Sustained Paradox and Strategic Reorientation** (Post-Acquisition)
Core Technologies	**SMH** - Focus on retooling factories for eventual all-quartz production - Capital investments targeted at transitioning mechanical brands to quartz. - Manufacturing of multiple brands under a coordinated production process **Blancpain** - Exclusive focus on mechanical watch production	**SMH** - Focus on efficient quartz production *and* maintaining mechanical watch production - Capital investments in automated quartz production lines *and* mechanical technologies (e.g., coaxial escapements) - Use of quartz *and* mechanical technology, determined by brand: some produce only hand-made mechanical watches (Blancpain, Breguet); some produce all-quartz watches (Swatch); some produce both quartz and mechanical variants (Omega)

Economic Model	**SMH**
	- Higher volume / lower price
	- Rationale: consumers can purchase multiple watches at reasonable prices. A watch can serve as a fashion accessory (Swatch = "second watch").
	Blancpain
	- Lower volume / higher price
	- Rationale: consumers are likely to buy a limited number of watches. A watch is considered a form of craftmanship and a status symbol. Restricted number of available models to convey scarcity.
		SMH
		- Expanded SMH group structure promotes multiple pricing strategies and customer segments:
		  - Swatch: higher volume / lower price
		  - Breguet, Blancpain: lower volume / higher price
		  - Omega: both (depending on model and technology)

Time Orientation and Practices	**SMH** - Focus on modernizing production systems, marketing campaigns, and business operations to accommodate the new technology (quartz) - Experimentation with new forms of watchmaking (e.g., Swatch inventors experimented with injection-molded plastic body for quartz production) - Little or no investment in traditional mechanical watchmaking techniques **Blancpain** - Focus on preserving the history and practices of Swiss mechanical watchmaking - Focus on redefining the value of a mechanical watch as a form of art, craftmanship, and status. - Encouragement of employees' emotional ties to prior generations of watchmakers (e.g., headquarters located in old Swiss farmhouse)	**SMH** - Focus on investing in traditional (hand-made) and automated watch production - Employee training in both quartz manufacturing and mechanical production. - Use of automated production lines developed for quartz to streamline some mechanical production lines - Some mechanical watchmakers create watches by hand, allowing for slight variances that can be attributed to artistry. Other watchmakers streamline quartz production techniques, with the goal of eliminating manufacturing inconsistencies - Maintenance of brands' historical identities. Borrowing of marketing techniques from handmade mechanical brands (e.g., Breguet, Blancpain) to communicate the value of other SMH brands (e.g., for mid-range brands such as Omega, focus on brand history, regardless of quartz or mechanical movement)

Table 3: Supplemental data – mechanisms

INDIVIDUAL PRACTICES			
Redefining Personal Goals	**Pre-Acquisition**		**Post-Acquisition**
	Hayek "We have the industrial [electronic] segment, for us, which is the base of our survival…. You have to master intricate technologies, quartz, batteries… You either commit fully to the business or you get out." (L9)	→	"Now, at Breguet, I took it over and I said, 'I don't want anybody to run this. The movements are made at the Breguet factory, as it was traditionally done. We are investing SF20 million in [the mechanical factory].'" (L11)
	"In the high-tech field, we expect to have 1 billion in revenues in five years. We have very interesting new lines in the non-watch electronic division. We are starting to develop a telephone system: Swatch Phone." (L9)	→	"We have been discussing with department stores that we don't want to be in the fashion department. We want to be in the fine-watch department, because our watches are very high-quality." (L11)
Redefining Personal Goals (cont.)	**Biver** "Biver is famous in watch circles as the man behind the rise of Blancpain in the 1980s . . . and positioned it as a producer of limited-edition complicated mechanical watches." (MJ24)	→	"[Biver] had to shift from 'the mechanical watch champion of the 1980s' to a neutral position so he could promote Omega's quartz watches. Omega was a much bigger industrial product than his little batch boutique brand Blancpain. He was now part of a huge industrial group." (B1)
	"My ex-wife broke me in 1989 when she left. It seems a little bit strange to say that but, yeah, she broke me. My wife was love. So now what is left? No love in my job, no love in my life. I was destroyed." (L2)	→	"I realized I had sold my soul. I had sold my people. Coming back [to Blancpain] was the way to solve the problem I had in my head. That was the reason I joined SMH. I needed to reclaim the passion for my job." (L2)
Subjugating Egos	**Pre-Acquisition**		**Post-Acquisition**
	Hayek "I told [the old leaders] that I will take over as the chief executive at Omega. I am strong enough." – Hayek, recalling his initial purchase of Omega in the 1980s (L5).	→	"Hayek asked me to run Omega. He said to me, 'I need your help.'" (L4)
	"Lying on [Hayek's personal office] table for perusal are two thick black binders bulging with newspaper and magazine clippings about Nicholas Hayek. In the past ten years, Hayek's central filing department has collected 15,000 clippings dealing with him and his company. . . . Paging through, one sees Hayek everywhere." (MJ5)	→	"Hayek says that after he negotiated the Blancpain/ Piguet takeover with Biver and his partners, he urged Biver to stay with SMH [to oversee Omega]." (MJ19) "He had a lot of ego, but Hayek made it work when [he and Biver] were together." (SE31)
	Biver "I left [my prior jobs] to run Blancpain because I thought that my influence was too little. I could not manage. I could not bring my ideas. I could not realize my ideas because I was number five. I had a boss." (L1)	→	"I admired Mr. Hayek and what he had accomplished [at SMH]… He was the boss." (L2)
	"At Blancpain, I was alone [in setting the trend]. I was not concerned that other companies were trying to copy me. I was not concerned because I said, 'Biver, if you are a leader, you can only be a leader if you have followers.' You need people behind you." (L2)	→	"People never understood how I could work with Hayek. I said, 'I can work with him because on certain points I respect him and I follow him.'" (L2)
RELATIONAL EXCHANGES			

Interacting Frequently	**Cultivating Affective Trust**
"Every morning we would talk. [Hayek] was like me, because he also got up at 3:00 a.m. I worked very closely with him. I just had to call him and say my idea. And he'd say, 'OK, ahead.' It was so easy, because there was no hierarchy. It was the two of us. There were no other people." (Biver, L4) "Biver maintained a direct line to Hayek." (JE3) "We had these direct conversations and direct decisions. So it became easy to handle issues with him, because I was in direct discussion. We would discuss operational questions, products, et cetera. It was constant." (Biver, L6)	"We had the intelligence to accept the other. That was the sharing principle we both held for each other. I was so close to Mr. Hayek. I related directly to him." (Biver, L6) "Hayek . . . [and Biver], oh, my god, they were like were soulmates." (JE3) "I like [Biver] very much. Each one of us is capable of something, and the other is capable of something else." (Hayek, L11) "When we began to restructure Omega, I saw Hayek as a partner." (Biver, L5)

STRUCTURAL BOUNDARIES	
Carving Out Shared Territory	**Synthesizing Skills**
"On points like marketing, Hayek gave me free road. So we each had a part of the cake." (Biver, L5) "I never got the feeling I was working in a big group. I was independent. I had the privilege to work however I want. Hayek would say to me, 'You are not an employee. I bought the brand [Blancpain] *because* of you. You are an entrepreneur and I want you to stay who you are.'" (Biver, L8) "Hayek said to me, If you come back, I will give you responsibility for Blancpain, but I will give you an additional responsibility to rebuild Omega.' I initially said, 'No, I don't want Omega, I want my [Blancpain] people.' He said, 'OK, yes, you can work with your people for one or two days a week, but the rest you will spend on Omega [with me].' (Biver, L5)	"When Hayek bought Blancpain in 1992, he was interested in doing more than merely enlarging market share—he was looking for a new kind of know-how. . . . Indeed, the takeover provided an opportunity to internalize the . . . skills of Biver." (A1) (Donzé, 2011a: 13) "For certain elements, [Hayek] was learning from me: product sensitivity and a little bit of marketing. For others, he was not learning at all. He knew finance much better. He taught me that you need to have a base [in quartz] so the other mechanical brands can also survive." (Biver, L6) "Hayek and Biver's complementarity—one being creative and the other one being obsessed with numbers and money—made them very close. They learned from each other." (former SMH employee who reported to Hayek and Biver, L49)

Figure 1: Timeline

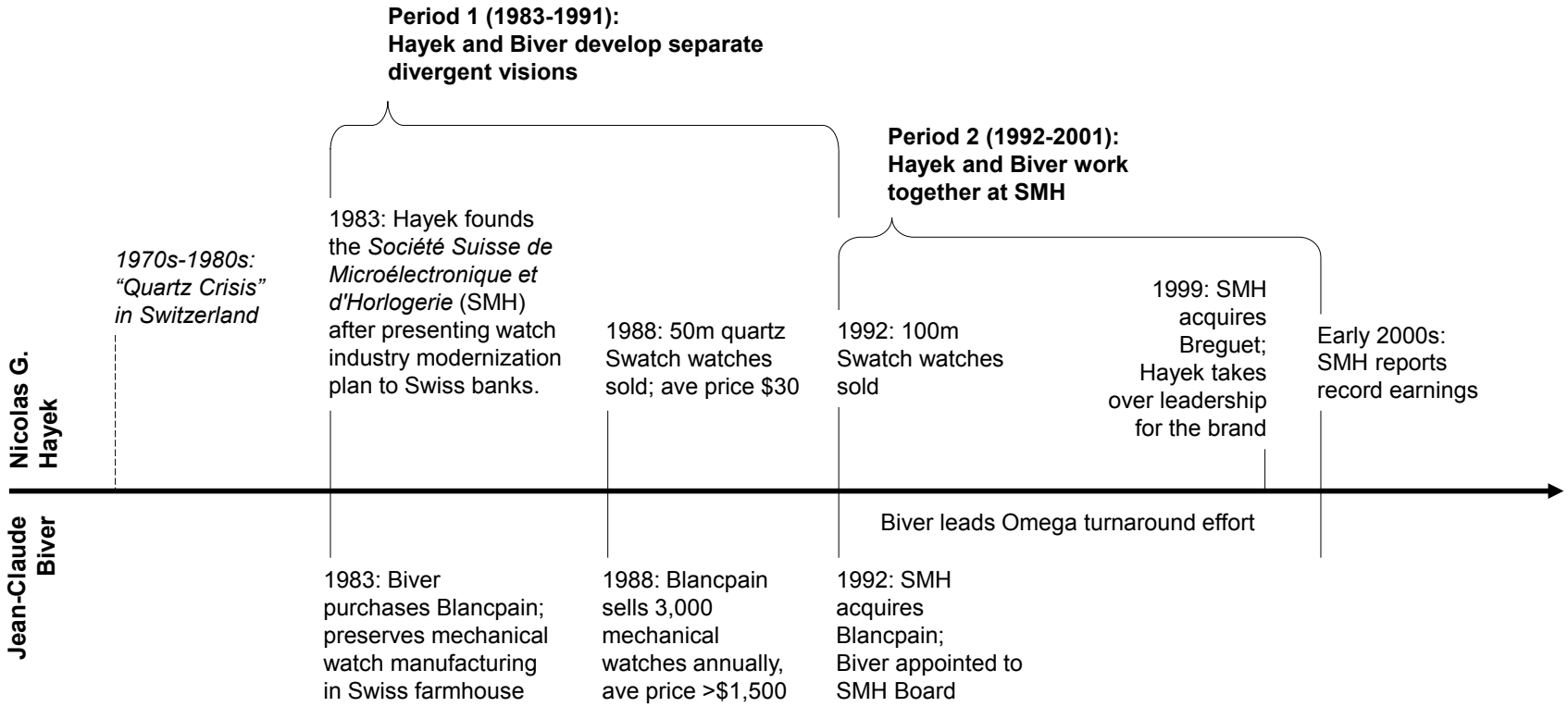


Figure 2: Modeling how leader-dyads surface and engage the preservation-modernization paradox

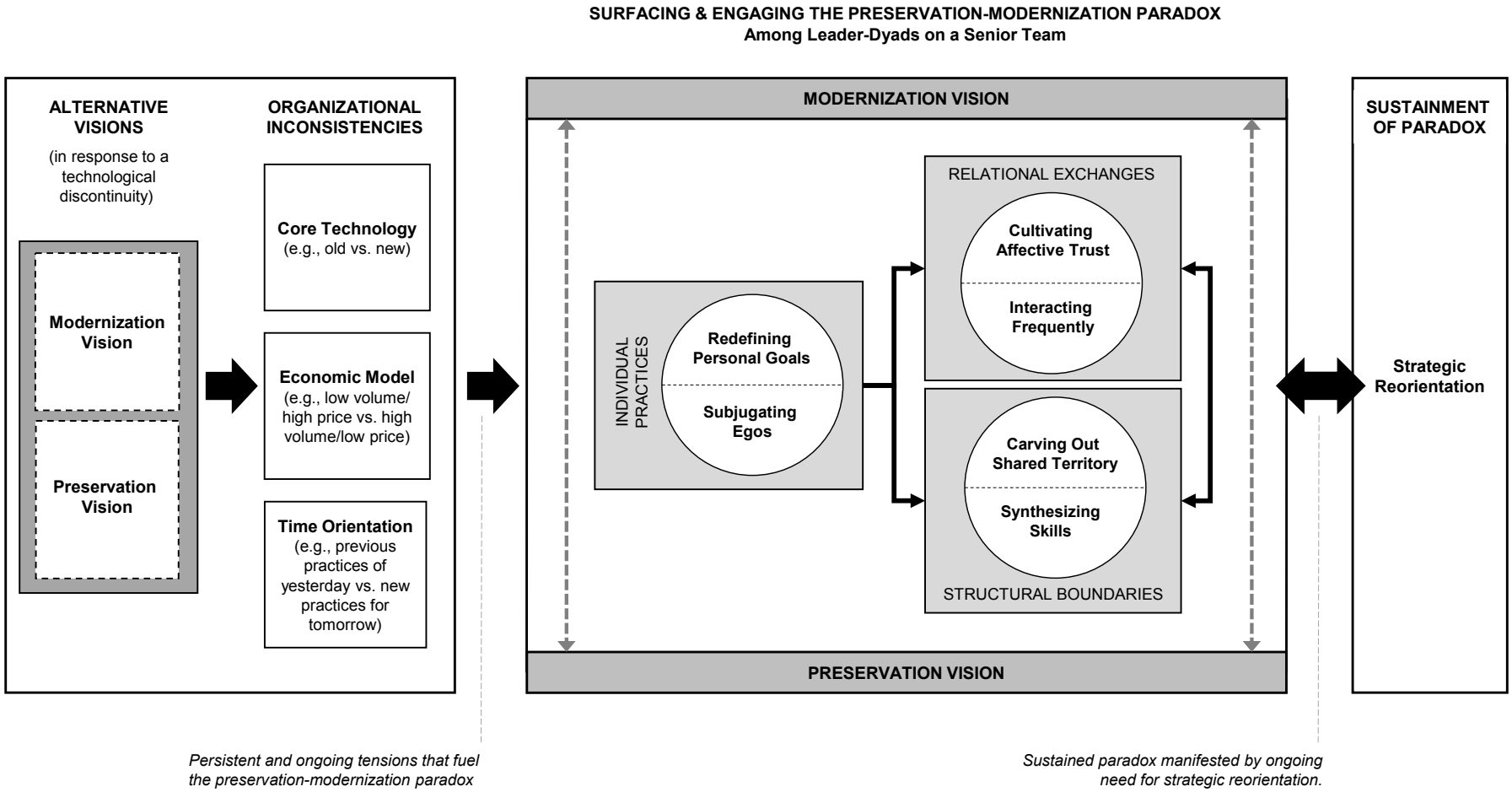
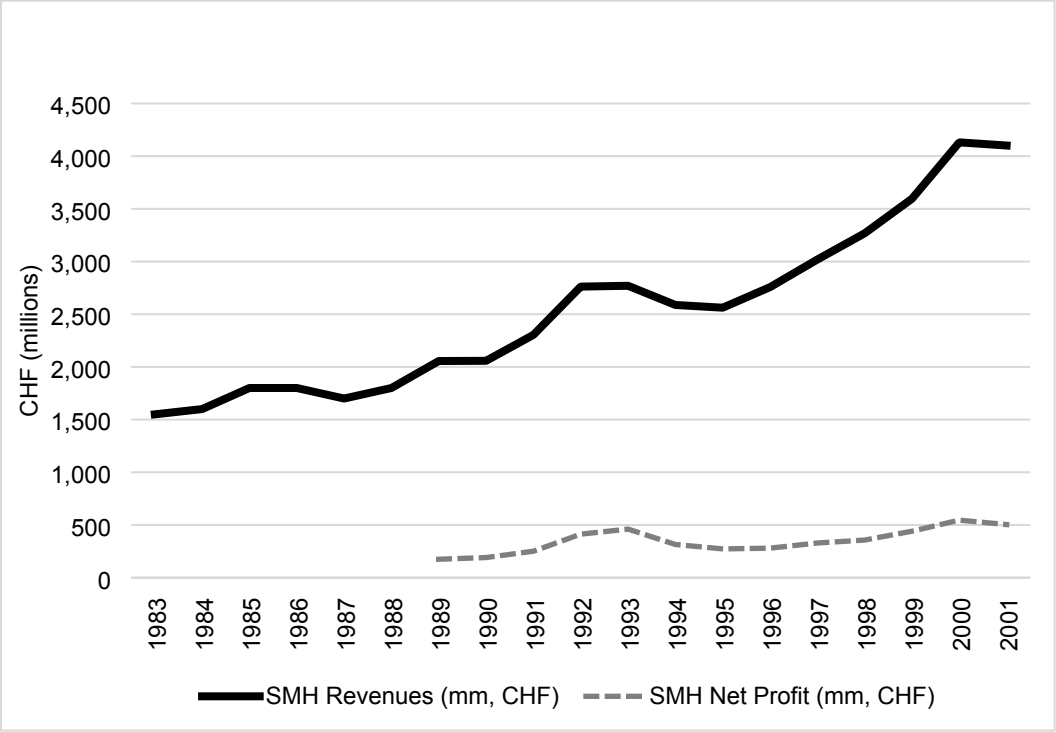


Figure 3: SMH Annual Revenues and Net Profit, 1983–2001



Sources: SMH/Swatch Group annual reports (1989-2001). Analysis by authors. Net profits were not reported in 1983–1988.

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