



INNOVATION STRATEGY AND DELIVERY

# How CEOs Can Conquer Traditional Innovation Tradeoffs

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No CEO, in my experience, has ever questioned the need to innovate. The development of new ideas, products, services, and ways of doing business is, after all, an engine of renewal and competitive advantage. What often does go unchallenged, though, are the compromises that come with innovation: cost, delay, and high failure rates.

The question CEOs must ask, therefore, is not whether they need to innovate—but how they can conquer the traditional tradeoffs they’ve come to accept as the price of innovation.

That question is growing more pressing by the day. With aggregate growth rates trending down and capital dearer, experimentation is no longer a free lunch. And with volatility and uncertainty

continuing to intensify, new scenarios can take shape overnight that rapidly erode the base case for an innovation project. At the same time, digital and AI technologies are making it much easier for competitors to imitate a winning product or service, adding greater urgency to innovate not just quickly and frequently, but efficiently.

“ In a business environment fraught with risk, leaders need a new approach to innovation—one that addresses the traditional tradeoffs while unlocking a wealth of benefits for their company and their customers.

Together, these forces compel CEOs to innovate faster and smarter, but in a business environment that is more difficult and fraught with risk.

Fortunately, leaders can take a better approach to innovation—one that not only addresses the traditional tradeoffs but also unlocks a wealth of benefits for their company and their customers. Here's how.

## From Innovation Ambidexterity to Co-Ambidexterity

The inevitability of innovation tradeoffs has become embedded in the collective business psyche. New ideas create value but often crawl through complex processes, devouring time and resources that could otherwise be spent running the business, with the majority of such experiments ultimately failing.

Farsighted CEOs try to connect current and future performance by cultivating ambidexterity—running today's business efficiently while searching for tomorrow's opportunities. For many companies, this entails splitting the organization into two camps, one exploiting the present business and the other exploring the future. In some instances, companies try to sequence the two efforts in time, or mix them within an organizational unit.

While such approaches valuably *balance* these competing imperatives, they don't fundamentally *break* the assumed tradeoffs between current and future performance. But what if a company used

AI and digital technologies to link their “exploit” and “explore” functions with their customers’ exploit and explore journeys?

We call this linkage “co-ambidexterity,” and it opens a number of exciting possibilities for conquering innovation tradeoffs.

Consider, for example, someone shopping online for a weighted workout vest. The vest purchase itself is the customer’s “exploit” journey—what they need right now. But their deeper motivation for buying or browsing that item, such as discovering a healthier lifestyle—is their “explore” journey.

This linkage between the ambidexterity of the provider and the customer can unlock value in several ways. Most simply, current transactions can be mined for information on future needs. For example, if the customer has purchased other workout items before, such as free weights, it could signal that they are looking for a better fitness routine or lifestyle, opening up not only cross-selling opportunities but also informing future innovation efforts.

By extension, co-ambidexterity can generate the information needed to customize offerings or create substantially new ones. It also opens opportunities for the company to sell that customer a monetizable service connected to their broader journey of discovery, like fitness, diet and lifestyle advice.



Linking the ambidexterity of the provider and the ambidexterity of the customer can unlock value in several ways.

Moreover, it can pave the way to “open innovation.” When customers are so interested in getting the next thing, and find your expertise credible enough, they’ll participate in your innovation process for free—and even reward you with their loyalty for the opportunity to do so.

A familiar example of co-ambidexterity in action is Google search. Its exploit function—search monetized through advertising—is integral to the customer’s explore journey, and it also generates information to shape Google’s own exploration by refining search algorithms and other offerings.

# Four Actions for Creating Co-Ambidexterity

With co-ambidexterity, innovation can be faster, less costly, and less risky. But achieving it is not just a matter of deploying digital marketplaces or AI. These four actions can help CEOs lead the organization-wide change to make co-ambidexterity a reality.

- 1. Treat every customer interaction as a source of innovation.** Customers are not just serial transactors satisfying current needs. In nearly every sector, they are constantly searching—looking for new ways to solve problems, meet their evolving needs, or simply make life easier. Their exploration is ongoing, whether it manifests as a support chat, a search query, a buying pattern, or a review. For this reason, co-ambidexterity starts with treating all customer feedback, complaints, suggestions, and even subtle shifts in behavior as crucial signals that can drive innovation.
- 2. Build systems that capture and analyze customer data in real time.** AI enables companies to sift through vast quantities of customer data to spot patterns and hints of changing preferences and needs as they emerge, even before customers become aware themselves. It can detect subtle shifts in how customers use a product, flag emerging needs that aren't being met, and even predict new features and offerings that might appeal to customers.
- 3. Increase the volume of experimentation and rate of learning.** AI also enables businesses to run many small, rapid experiments to test new potential features or services. Innovation thereby becomes embedded in current business, not just the R&D function. CEOs must also create a culture where learning from small failures is seen as an opportunity to drive smarter, faster innovation and create future value.
- 4. Breakdown innovation silos.** It's important to not just run experiments in secluded “innovation labs” remote from the marketplace. When learning flows freely across a company, promising ideas are spotted earlier, tested faster, and scaled based on emerging evidence. The sales-R&D relationship becomes closer, two-way and more responsive, shrinking innovation risks and costs. CEOs must also shrink the distance between the enterprise and its customers by ensuring customers are treated as partners in the innovation process.

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There is no reason why CEOs should endure or accept traditional innovation tradeoffs when co-ambidexterity offers them a more fruitful path forward. It can replace slow-moving, haphazard, and costly innovation processes with information-enabled experiments and relationships that glean insights in real-time, at a lower cost, and with a higher chance of success. CEOs who embrace co-

ambidexterity will carve a sustainable competitive advantage powered not by innovating *at* customers, but *with* them.

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