Ambidextrous organization ambidextrous design and knowledge integration managemen...

2. 1 Introduction

This chapter examines ambidextrous organizations. First, this chapter explains what ambidextrous organizations are. Thereafter, ambidextrous designs are discussed to make it more clear why ambidextrous organizations are different from other organizational designs. Then this paper introduces some important attributes of ambidextrous organizations. Thereafter, this thesis continues to discuss the process of knowledge integration within ambidextrous organization. It is important to know how knowledge integrated within an ambidextrous organization, which faces a paradoxical challenge of being able to engage in exploration and exploitation simultaneously. This chapter ends with a conclusion. This conclusion is going to answer the first research question of how knowledge is integrated in ambidextrous organization.

2. 2 Ambidexterity in an organizational context

In today's dynamic world, innovation may pose the ultimate advantage and challenge for organizations (Andriopoulos & Lewis, 2009). To increase innovation outcomes, organizations should have an ambidextrous design. Ambidextrous designs are defined as highly differentiated organizational designs with strong senior team integration (Tushman, Smith, Wood, Westerman & O'Reilly, 2010).

Research in fields such as managerial economics, organization theory and strategic management has recently adopted the human trait of ambidexterity as a metaphor to describe competent organizations (e. g. Lubatkin, Simsek, Ling & Veiga, 2006; Carmeli & Halevi, 2009). Owing to the

linked nature of the exploration and exploitation constructs researchers have started using ambidexterity as an integral concept to denote a organization's dual orientation with respect to exploration and exploitation (Cao, Gedajlovic & Zhang, 2009).

Ambidexterity is lexically derived from the Latin " ambi," meaning both, and dexterity, meaning skilfulness (Chermack, Bodwell, & Glick, 2010). Thus, ambidexterity is the ability of individuals to use both their hands with equal skills. As defined, ambidextrous organizations are capable of exploiting existing competencies as well as exploring new opportunities with equal dexterity (Lubatkin, Simsek, Ling & Veiga, 2006). Studies find that excelling at both exploitation and exploration is vital to successful product development and long-term performance (e. g. Andriopoulos & Lewis, 2009; Chermack, Bodwell, & Glick, 2010). Studies found that business units that employed ambidextrous designs were able to explore and exploit simultaneously. In contrast, this study also found that the business units that employed other organizational designs experienced difficulties in either exploiting their existing products or exploring into architectural and/or discontinuous innovations (Tushman, Smith, Wood, Westerman & O'Reilly, 2010).

2. 3 How to design an organization in an ambidextrous way?

Exploration and exploitation require fundamentally different and inconsistent architectures and competencies that create paradoxical challenges (Jansen, Tempelaar, Van den Bosch &Volberda, 2009). Exploration refers to search, variation, and experimentation that results from decentralization, loose cultures, and less formalized processes. Exploitation, on the contrary,

captures refinement, efficiency, and improvement that succeed by reducing variance and increasing control and formalization (Jansen, George, Van den Bosch & Volberda, 2008). To prosper, or even survive, firms should excel at both exploitative and exploratory innovation. Managing these two paradoxes is called organizational ambidexterity (Andriopoulos & Lewis, 2009). Knowing these facts about ambidextrous organizations, the question remains how an organization can be designed to operate in an ambidextrous way? This and the next paragraph answer this question.

Related research suggests multiple paths to ambidexterity. Theories of architectural ambidexterity propose dual structures and strategies, differentiating efforts to focus on either exploitative or exploratory innovation (Andriopoulos & Lewis, 2009) So it can be assumed that when organizations are designed according to the architectural ambidextrous design, then every unit within the organization concentrates on either exploration or exploitation. Thereafter, they integrate both activities to have a superior performance. Contextual ambidexterity, in contrast, emphasizes behavioural and social means of integrating exploitation and exploration. Socialization, human resources, and team-building practices, for instance, foster shared values and aid coordination, helping actors think and act ambidextrously on a daily basis (Andriopoulos & Lewis, 2009). According to this approach every unit in the organization is performing both exploration and exploitation. Within the contextual design there is no division between units. Thus, Ambidexterity can emerge through a company’s organizational context as well as through its structure.

In both cases conceptual arguments assert that achieving ambidexterity imposes considerable challenges on senior executives, because of the necessity to allow differentiation while maintaining integration and balanced decision-making (Jansen, George, Van den Bosch & Volberda, 2008). At the organizational level, differentiation refers to the extent to which business units adapt their activities to their own environments; integration refers to the extent to which they coordinate their activities with each other (Haas, 2010). To make this more clear, this paper assumes that a senior executive deals with the challenge of allowing different approaches for achieving ambidexterity in different units like it is the case if you have an architectural design. In the contextual design the challenge exist of allowing different approaches for achieving ambidexterity in different teams. The problem here is that at the same time, these different approaches have to be integrated with each other.

Empirically, business units are often viewed as more differentiated if they have more decision making autonomy, and as more integrated if they obtain and use more knowledge from other units (Haas, 2010). A fundamental principle of organizational design is that differentiation and integration are complementary, so that firms perform more successfully if highly differentiated business units are also highly integrated (Nohria & Ghoshal, 1997). Applying this complementarily principle to teams, it seems that combining these two conditions of autonomy and external knowledge use can increase team effectiveness more than either alone, because the benefits of each offset the other’s risk.

To conclude this chapter there are two paths for achieving an ambidextrous design. Namely, architectural and contextual ambidexterity. In both cases, there is a challenge for senior executives to allow for differentiation and integration simultaneously. It is assumed that these two paradoxes can only be achieved if units and teams have autonomy to make decisions at their own. At the other hand if these units or teams use more external knowledge form other units or teams they will be more integrated. If they are able to manage both, the problem of the paradox is solved.

Important attributes of an ambidextrous organization

Organizational ambidexterity requires the development of a strong and compelling shared vision. A collective aspiration expresses the future developmental path and can prevent ambidextrous organizations from leading into fragmented structures (Jansen, George, Van den Bosch & Volberda, 2008). Common values and aspirations are important team attributes that facilitates senior team members to prioritize and interpret problems and reduce conflicts (Jansen, George, Van den Bosch & Volberda, 2008). A shared set of goals and values provides a common strategic direction that ameliorates conflicting interests and disagreement. It can override the adverse effect of divergent goals and conflicting perspectives among senior team members responsible for exploratory and exploitative units (Jansen, George, Van den Bosch & Volberda, 2008). It is important to mention that ambidextrous organizational designs are composed of an interrelated set of competencies, cultures, incentives, and senior team roles. Such a design is relatively more effective in hosting innovation streams than other designs employed (Tushman, Smith, Wood, Westerman & O’Reilly,

2010). Hence, common goals and shared vision in an ambidextrous designed organization motivate senior team members to generate opportunities for resource exchange and combination across exploratory and exploitative units (Jansen, George, Van den Bosch & Volberda, 2008).

Another important factor in a senior team working environment is trust in other team members. By promoting a collaborative, high-quality exchange of information, behavioural integration engenders social mechanisms such as trust and reciprocity which should further serve to dissipate a team member’s reluctance to sharing tacit knowledge, critical to exploration (Lubatkin, Simsek, Ling & Veiga, 2006). Therefore, Trust is a critical element in enhancing intra- and inter-organizational cooperation, coordination, and control. Trust allows individuals to justify their decision to contribute and allows individuals to freely exchange information and share knowledge that is critical to the success of collaboration (Robert, Dennis & Hung, 2009). Therefore, this paper assumes that without trust within a team knowledge integration would not work and that would be not beneficial for an ambidextrous organizations.

In sum, this thesis assumes that the most important attribute for an ambidextrous organization is a senior team, because this team is able to manage exploration and exploitation simultaneously in different parts of the organization. Furthermore, there are some other very important characteristics of senior teams which contribute to ambidexterity and these are integration, ability to pursue exploitation and exploration, strong and compelling shared vision, common values and aspirations and trust in each other within the team. If a senior team contains these characteristics, then it

is assumed that this team can gain superior performance in an ambidextrous organization.

Integration of knowledge in ambidextrous organizations

In this paragraph the integration of knowledge in ambidextrours organizations is of interest. If a organization has an ambidextrous design and a strong senior team like discussed in paragraph 2. 4, then it is important to know, how exploration and exploitation is integrated between the different units or different teams within an organization. The focus of this paragraph is how an ambidextrous organization balances the knowledge obtained from exploration and exploitation to achieve sustained performance.

The pursuit of exploratory and exploitative activities in differentiated units may lead to distinct operational capabilities or competences at dispersed locations (Jansen, Tempelaar, Van den Bosch & Volberda, 2009). This is because exploitative and exploratory orientations emerge from contradictory knowledge-processing capabilities (Lubatkin, Simsek, Ling & Veiga, 2006). Exploration involves search, variation, experimentation, flexibility, and discovery; whereas exploitation pertains to refinement, efficiency, selection, and execution. The idea has been that a well-balanced combination of exploratory and exploitative learning is critical for long-term success (Kostopoulos & Bozionelos, 2011).

Every individual in the organisation is a specialist in either exploration or exploitation. Most organizational capabilities require integrating these specialist knowledge bases of a number of individuals (Grant, 1996). Therefore current organizational learning research focus on organisational

learning processes, knowledge integration (Holmqvist & Larsson, 2004; Grant 1996; Tiwana, 2007) and the need for firms to manage ambidexterity, that is, to balance knowledge from exploration and exploitation (Vurro & Russo, 2009).

According to Vurro & Rosso (2009) learning is a multilevel process. Solutions to complex innovation problems often require integration and synthesis of diverse, complementary knowledge (Tiwana, 2007). The processes through which firms integrate specialized knowledge are fundamental to their ability to create and sustain competitive advantage (Grant, 1996). This is beacause exploitation and exploration have to be recombined to create value (Raisch, Birkinshaw, Probst &Tushman, 2009).

The literature is inconsistent at some point about the integration of exploration and explotation. Some studies on organizational ambidexterity acknowledge that people at the top need to act ambidextrously by integrating exploitative and explorative activities (e. g., Smith and Tushman 2005). On the other hand, according to Raisch and collegues (2009) ambidexterity is rooted in an individual’s ability to explore and exploit. The problem here is that individuals who focus on creativity and exploration differ even in personality, from those who emphasize implementation or exploitation activities. Therefore it is challenging for an individual to excel at both exploitation and

exploration simultanously (Amabile, 1996).

However, many researchers (Thusman et al, 2010; Jansen et al, 2008;

Lubatkin et al, 2006) state that to achieve organizational ambidexterity the

senior team is very important in an organizatin. Innovation streams actively managed by the senior team were relatively more successful tan innovation streams managed by either below or above the senior team level (Tushman, Smith, Wood, Westerman & O'Reilly, 2010). Senior teams in ambidextrous organizations are collectives of individuals responsible for resolving conflicting strategic agendas while managing the operational functions for which they are responsible (Jansen, George, Van den Bosch & Volberda, 2008). Senior teams are important elements for ambidextrous organizations to resolve conflicts and combine exploratory and exploitative activities in different parts of the organization (Jansen, George, Van den Bosch & Volberda, 2008). A behavioural integrated senior team is better able to synchronize the team's social and task processes, including the quality of information exchange, collaborative behaviour, and joint decision making (Lubatkin, Simsek, Ling & Veiga, 2006). The level of behavioural integration of a senior team directly influences how its members deal with the contradictory knowledge processes that underpin the attainment of an exploitative and explorative orientation, such that greater integration enhances the likelihood of jointly pursuing both (Lubatkin, Simsek, Ling & Veiga, 2006)

Exploitation primarily involves learning from top-down process, in which senior managers move to institutionalize those routines and behaviours that are best suited for refining current competencies. In contrast, exploration generally involves a bottom-up learning process, in which senior managers are persuaded to abandon their old routines and make a commitment to a new course of action. (Lubatkin, Simsek, Ling & Veiga, 2006). Therefore, the

ability to jointly pursue exploitation and exploration in an ambidextrous organization is directly rooted in the extent to which their top management teams are behaviourally integrated. Behaviourally integrated teams make better use of knowledge alternatives because cognitive conflict in such teams affords them more opportunities to debate and discuss strategic issues. Furthermore, Behavioural integration enables the top management teams to combine knowledge and insights from other departments and lower organizational levels to respond well to the increasing needs of the market, to create core competencies, and to develop global strategies (Lubatkin, Simsek, Ling & Veiga, 2006).

2. 6 Conclusion