# A balancing act?

## - A qualitative study examining attitudes and beliefs towards the concept of organizational ambidexterity

Abstract

For firms to be successful they need to be both aligned and efficient in their management of the today's business and at the very same time adaptive to changes in their environment. The trade-off is apparent and has lately seen a great increase in interest as the research field of organizational ambidexterity is starting to take shape. However, little research have up until today been done examining how the concept is perceived in practice within the business community, why, the purpose of my study is to try to bridge this gap. I have conducted a literature study and identified two areas where the lack of research is particularly evident, based on which, my qualitative study has been carried out. Focusing on how the concept of organizational ambidexterity is perceived in general, as well as the different options for achieving it, the results are partly contradicting. Attitudes towards the concept of organizational ambidexterity vary to a large degree; both within the organization as well as to the extent the concept is recognized as important. Also, there is strong evidence in favor of the particular option of parallel structures whereas evidence point in the opposite direction for spatial separation.

# Outline

## 1. Introduction

The fact that, companies' being large and successful at one point in time is no guarantee of continued survival, (O'Reilly & Tushman, 2008) comes as a little surprise. Neither the fact that few of the companies from the 1980's are around anymore seems to be surprising (Devan et al., 2005). Today companies are facing increasing demands from their environment and thus have to be both fast in responding to changes in the environment while, at the same time, efficient in executing upon their resources (Birkinshaw & Gibson, 2004). If not, as little surprising as is seems, they might not be around in another ten years.

A fundamental assertion in how a firm becomes successful can be found in the balance between conflicting demands of today's operations, while simultaneously, preparing for the future (Venkatramen et al., 2007). Companies continuously struggle between conflicting organizational demands pointing in the direction of both being efficient and innovative. Even though these trade-offs can never to a full extent be eliminated, the most successful firms manage to reconcile them and thus enabling for long-term competitiveness (Birkinshaw & Gibson, 2004).

A fairly new research field addressing the contradicting organizational needs described above is the one of *organizational ambidexterity*. Building upon the seminal work of March (1991), labeling the natural imbalance inherited in organizations as consisting of exploitative and explorative activities, organizational ambidexterity takes its' starting point. Also described as, aligned and efficient in the management of today's business demands while at the same time adaptive to changes in the environment, (Gibson & Birkinshaw, 2004) organizational ambidexterity proposes a solution as to why some companies are more successful than others.

Being a rather new research field, organizational ambidexterity is yet in need of further research. There are broad arguments in favor of that more research is needed within several areas, though particularly the antecedents of organizational ambidexterity have been singled out as one of the more critical ones (Raisch & Birkinshaw, 2008).

From the perspective of the business community there seems to be a complete lack of research conducted. As a result, addressing the lack of practical insights as to how organizational

ambidexterity, and especially its antecedents, is perceived within the business community I will in the following paper try to bridge this identified gap.

## 1.1 Problem area

The research field on organizational ambidexterity dates back to 1976 when Duncan for the first time used the term. However, it wasn't until 1991 when March published his landmark article, *Exploration and exploitation in organizational learning*, that a research field in itself started forming. Exploitation and exploration was used to describe two fundamentally different learning activities that firms need to divide their attention and resources to for becoming successful (March, 1991). Since then, a number of studies spanning multiple aspects several variables covering organizational ambidexterity have been published. In 2004 only ten studies could be found that explicitly mentioned the term *organizational ambidexterity*, while the same number five years later was 80 (Birkingshaw et al., 2009).

In the process of fully becoming a standalone research field, organizational ambidexterity is in need of further research on a broad level (Raisch & Birkinshaw, 2008). There are several areas that have been pointed out, whereas particularly limited research has been devoted to explaining how to realize organizational ambidexterity (Adler et al., 1999; Siggelkow & Levinthal, 2003; Raisch & Birkinshaw, 2008).

From my conducted literature study it is evident that research on the antecedents of organizational ambidexterity is as diverse as broad in scope. Four different options of how to realize ambidexterity can be singled out, *spatial separation*, *parallel structures*, *contextual solutions* and *leadership-based solutions*; all of them providing different arguments as how to achieve organizational ambidexterity. Though the options are argued to be four distinctively different ways of achieving organizational ambidexterity, their respective limitations as well as interrelatedness is evident and have been pointed out (Raisch & Birkinshaw, 2008).

As a result, the fact that the research field of organizational ambidexterity is young and still needs additional research is evident. At the same time it is apparent that organizational ambidexterity is about to become, if it not already is, a distinct research field attempting to explain firm performance. However, based on my literature study no evidence has been found that studies

have been done focusing on how organizational ambidexterity is perceived within the business community.

Thus, I believe it is interesting to examine how the concept is perceived in practice within the business community. Further, having identified a particular area within the field that seems to lack extensive research, while at the same time play a central role in explaining organizational ambidexterity, it is interesting to examine the attitudes towards the different options of how to realize organizational ambidexterity.

## 1.2   Definitions and terminology

From its very beginning organizational ambidexterity has been defined using various different terminologies. In most cases, exploitation and exploration have been used to contrast the two competing organizational demands. However, depending on within which particular field of organizational science research has been conducted, the terminology used to describe the phenomena vary. The reason for this is that organizational ambidexterity is still in the process of becoming a research paradigm in its own and thus, it still lacks a comprehensive and distinct terminology (Raisch & Birkinshaw, 2008). Consequently, several different literature streams have contributed to research on organizational ambidexterity, with or without, using consistent terminology describing organizational ambidexterity.

What they all have in common, whether or not a distinct terminology has explicitly been used, is that they originate from March (1991) influential work on exploitation and exploration. In his work, March defines exploration as associated with *"search, variation, risk taking experimentation, play, flexibility, discovery, innovation"*. Exploitation includes measures such as *"refinement, choice, production, efficiency, selection, implementation, execution"*.

As the research field of organizational ambidexterity has evolved the competing organizational demands, originally contrasted using exploitation and exploration have been described using other terminology.  Commonly discussed, the underlying organizational demands of organizational ambidexterity can today be identified in terminology such as efficiency and flexibility (March, 1991), evolutionary and revolutionary change as well as short-term efficiency and long-term

innovation (Tushman & O'Reilly, 1996), variance increasing and variance decreasing activities (Burgelman, 1991), alignment and adaptability (Volberda et al., 2001) and the use of existing knowledge and new knowledge (Katila & Ahuja, 2002) to name a few.

To contrast the organizational contradictions that ambidexterity proposes in its pure form I will throughout this paper refer to the terminology of *exploitation* and *exploration* proposed by March (1991) as proxies for the above described definitions. In employing March's terminology my objective is to facilitate the understanding under which I throughout the paper will discuss organizational ambidexterity.

## 1.3  Delimitations

Taking feasibility into account I have delimited my study along different parameters. Starting with my literature study, I have tried to cover the research field of organizational ambidexterity and incorporated present research to the extent possible. However, in doing so I have delimited my study from covering aspect of the research field arguing for denouncing the concept of organizational ambidexterity. Consequently, only research either explicitly supporting or contradicting valid aspect of the research field have been regarded in the literature study.

I have also delimited my study from including aspects as to whether organizational ambidexterity is a valid measure for evaluating firm performance. Thus, throughout the thesis I treat organizational ambidexterity as an acknowledged research field explaining firm performance. Another delimitation in regards to my literature study has been made on aspects concerning the implications of organizational ambidexterity. Consequently, I have in my literature study focused on describing present research and not evaluating it along any parameters, less taking a stand on whether it should be considered to be an explanatory factor for firm performance or not.

Regarding my empirical study delimitations have been made. I have only incorporated one company in my case study while at the same time delimited the study from taking into account aspects such as industry conditions and other external factors. In targeting a company being a subsidiary of another company no attempts have been made to incorporate such relations and it implications in the scope of my study.

## 1.4   Research purpose and questions

The purpose of my thesis is to contribute to the present research field of organizational ambidexterity by adding to prior research, practical insights from the business community on how the concept of ambidexterity is perceived. Based on the lack of studies examining how organizational ambidexterity is seen in practice the purpose of my thesis is thus to add insights on this particular matter.

Consequently, based on the purpose of my thesis my proposed research questions are:

1. *Do attitudes and beliefs in regards to organizational ambidexterity vary within the organization, and if they do, how and why?*

2. *What are the attitudes and beliefs in regards to realizing organizational ambidexterity?*

## 1.5   Expected contribution

With this study I hope to extend and deepen the understanding of organizational ambidexterity. The facts that the research field in itself is fairly new indicate that there are still various aspects of organizational ambidexterity that needs to be examined further. Especially, there seem to be very little evidence, if any, of how organizational ambidexterity is perceived in practice.

My expected contribution is thus to add knowledge and insights to this particular part of the research field. Accordingly, I believe that my contribution will be important for future studies on the subject. Not only will it present a practical perspective on how organizational ambidexterity is perceived from a business community perspective, but will also broaden today' research field having mostly considered the theoretical point of view.

## 1.6   Target group

This study addresses' issues of such character that it could be of interest for corporate managers, but also the academic community including business students. The question of how to manage and balance between contradicting organizational demands, most often, pointing in different

directions should be of great interest for anyone who see themselves having a high corporate position in the future. Also, due to the study's' focus, examining an aspect in the research field concerning organizational ambidexterity to great extent neglected, it should further appeal to the academic community. Preferable, researchers might find interest in the study but also business students who would like to extent their knowledge base beyond the core concept of organizational ambidexterity.

## 1.7   Thesis outline

In chapter 2, *Methodology*, I will start by describe the nature of my study and motivate the various choices I have made during the process of the study. In chapter 3, *Literature study*, the result of my literature study will be presented, ending with my theoretical framework of reference that will act as a foundation for the empirical study. In chapter 4, *Data collection and preliminary analysis*, the data from my interviews will be presented and interpreted as the first of two stages of the analysis. In the following chapter 5, *Analysis*,    the second more comprehensive stage of the analysis will be conducted. Finally, in chapter 6, *Conclusions*, I will present my findings.

## 2    Methodology

In this chapter I will discuss various aspects related to how I have approached and conducted my study. Further, I will explain various parameters in regards to the research quality and how they come into reality as well as how I justify the choices made.

I will be using a framework adapted from Bryman and Bell (2007) to make sure all relevant methodology aspects are covered. The chapter starts by describing my *research strategy* followed by the *research approach*, *research design*, *data collection* and *research quality*.

### 2.1    Research strategy

On a conceptual level, two overarching kinds of research strategies are distinguished by the research community: *quantitative* and *qualitative* research methods. The distinction between the two is just as great as the number on opinions on which one is better.

Defining the two is not easy, but a common way to separate them is to define a quantitative strategy as one that uses statistical methods to analyze the collected data while a qualitative strategy involves other methods to analyze data than statistical ones (Bryman & Bell, 2007). In choosing which strategy to use in a particular study different parameters should be considered. Primary though, are concerns regarding what kind of data that needs to be analyzed to be able to answer the research question in a satisfying way.

According to the stated distinction between a quantitative and a qualitative study the study I have proposed would fall under the label a qualitative study. In trying to answer my proposed research questions neither numerical data nor quantifiable proxies for such data is available. Thus, a quantitative study is not a suitable alternative for my purpose. Instead, using interviews as a primary source for data collection a qualitative research strategy is more suitable for my study.

### 2.2    Research approach

Just as important as the research strategy decision is the choice of determining the proper relationship between theory and research (Bryman & Bell, 2007). This decision can in the most common way be described as, a choice between an inductive and a deductive research approach.

The deductive approach, most commonly associated with quantitative research, starts by formulating hypothesis based on present theory that then is tested against empirical scrutiny. The outcome is then used to either confirm of reject the initial hypothesis. Opposite, an inductive approach starts with the empirical findings which is then analyzed and explained using theory. In other word, it can be said to be a choice between *theory before research* or *research before observations* (Ghauri & Gronhaug, 2005). The former being associated with a deductive approach and the latter with an inductive approach.

Though a clear distinction can be found in theory between a deductive and an inductive research approach they are both interrelated (Bryman & Bell, 2007) and cannot be completely separated from               each                 other                in                  practice.

In conducting my study I will primary use a deductive approach in the sense that my intentions are to explore a research area within the academic research field of organizational ambidexterity, using present research on the subject as a starting point. Even though initially employing a deductive approach I will not base my study on testing hypothesis' based on existing theory since my chosen focus area doesn't allow me to do that. Instead, in evaluating the outcome of my literature study and identify potential research gaps I will apply, partly an inductive and partly a deductive approach. I will based on the initial deductive research approach, adopted during the literature study, use the findings for my empirical study and at this stage, adopt an inductive research approach as I analyze the collected data. As a last step, in interpreting my findings and compare it with theory a deductive approach will be used. Consequently, throughout my study I will employ both a deductive and an inductive research approach, different at various stages of my study.

## 2.3  Research design

The appropriate next step in the process of choosing a suitable methodology for conducting a research study is to decide upon what research design to use. The benefit of having thoroughly evaluated different alternatives and its' benefits and consequences can be described as providing a framework for the collection and analysis of data (Bryman & Bell, 2007).

According to Bryman and Bell (2007) there are five different types of research designs involving an experimental design, cross-sectional or social survey design, longitudinal design, case study design and comparative design. Just as the research strategies, the five described research designs proposed by Bryman and Bell (2007) do come in variations.

As a starting point, taking time and scope into consideration a longitudinal research design cannot be applied to my particular study. Normally such a design is used to analyzing a phenomenon from two perspectives, also described as looking at it from the vertical as well as the horizontal axis and their interconnectedness over time. As a consequence, this makes it a less common research design in business related research (Bryman & Bell, 2007). An experimental design does not apply to my particular choice of focus, mainly due to the fact that it requires a level of control which is hard to establish when dealing with organizational behavior (Bryman & Bell, 2007). Neither a cross-sectional research design, I would argue, is suitable for my study since it is associated with a population and a defined time period.

With my objective and particular research field in mind I have decided to conduct a case study, entailing one particular company. The reasons for such a design are manifold. Based on observations from my literature study, having found that the field of research lacks comprehensive research on the business community's attitudes towards organizational ambidexterity, a single-case study is to prefer as oppose to a comparative study.

My research question concerning the attitudes and beliefs in regards to realizing organizational ambidexterity can be identified as in itself comparing data gathered from two hierarchical organizational levels. Thus, the comparative element is not on firm level but rather on hierarchal levels. As a result, even though employing a single-case study design there will be a comparative element in the design I propose, although different from what the comparative research design offers. In my study I will use the data from the interviews to contrast and compare it between the two hierarchal levels and related it to theory. Accordingly, the comparative element in my study can be found within the boundaries of one organization. Consequently, bringing in yet another

comparative element to the study in the form of another company I would argue to be taking on too much considering the time frame of the project.

Another benefit of choosing a single-case study as a research design, on the behalf of a comparative design, is that a single case study will let me focus on fewer variables having others kept constant. In a comparative study the differences between the organizations in terms of organizational design, informal structures and culture would make a comparison between hierarchical levels at the different organizations less accurate. Conversely, by isolating a greater number of variables in only studying one single organization I believe I will, to a greater extent, be able to draw generalizing conclusions from my findings.

Yet another reason in favor of a single-case study has to do with the scope my study. To be able to get enough data from the different hierarchical levels in an organization a great number of interviews need to be conducted. With the practical limitations of not being able to do an unlimited number of interviews, focusing on one company instead of two, will let me make sure that a sufficient numbers of interviews can be conducted. This, in turn, will guarantee that I will be able to commit sufficient time to interview all identified employees at each respective hierarchical levels.

In addition to these arguments why a single-case study is the most appropriate research design is the fact that most prior studies in the genre of organizational ambidexterity have typically adopted a single-case study methodology (Birkinshaw & Gibson, 2004).

In Table A. the different options related to case studies is summarized. Using the proposed alternative of a case study, I will be doing a single-case study examining multiple units within the chosen organization which makes my study labeled as Type 2 (Yin, 2003).

*Table A. Case study methods*

| | Single-case design | Multiple-case design |
|---|---|---|
| **Holistic (single unit)** | Type 1 | Type 3 |
| **Embedded (multiple units)** | Type 2 | Type 4 |

(Adopted from Yin, 2003)

Type 1 – One context with one case

Type 2 – One context, one case with multiple units

Type 3 – Multiple context with multiple cases of analysis

Type 4 – Multiple context with multiple cases, including multiple units

## 2.4 Data collection

### 2.4.1 Selection of comapny

As an initial step after having finished my literature study I had to decide on a company to target for my empirical study. As I started do develop criteria for companies to put on my shortlist I recognized the importance of being able to interview everyone at a company, or possibly a whole business unit. As my research questions concerns the attitudes and, particularly in one of the questions, how they vary within an organization only being able to interview one part of the potential number of employees was immediately recognized as a potential problem in being able to draw conclusions. Also, as most of the prior research on the organizational ambidexterity, though from a theoretical point of view, has been conducted on a corporate level my study would benefit if it was based on a comparable level of analysis. Consequently, another important factor became to focus on the corporate level of company.

As a result, smaller companies preferable below 25 employees became the target. Taking into account first, the scope of my thesis also including an initial literature study and second, the time available for finishing the thesis companies that was part of my personal network became interesting. Having an acquaintance that had worked for Aerfast AB I was recommended to

approach them who, after only a short while after having contacted them, accepted my proposal conducing the empirical study at their company.

### 2.4.2    **Primary data – interviews**

As argued by Yin (2003) interviews are the most important sources of evidence in case studies. My proposed type of research concerns different attitudes and beliefs in regards to organizational ambidexterity and thus makes interaction inevitable. To be able to collect the data needed for answering my research questions I have chosen use interviews as my primary source of data collection.

After having decided to use interviews as the primary source for collecting data the next step was to choose how to conduct them. Interviewing technics can be categorized and divided up into three different types, depending on to what extent the question adopted are fixed or not. There are three different types of questions; *survey interviews*, *focused interviews* and *guided conversations* (Yin, 2003).

Survey interviews are, among the three, the most structured alternative where each questions is fixed and are preferable used in quantitative survey. Focused interviews, in addition to the survey interviews, require the interviewer to have the same questions for each respondent throughout the interview process. However, focused interviews can but don't have to have closed question. The last proposed alternative guided conversation is the most flexible option where questions are open-ended and less formality is normally used during the interview. In addition to the interviewer asking questions the respondent are free to ask questions regarding for example facts and clarification.

In my study I have decided to use a semi-structured question format, partly what Yin (2003) refers to as focused interview. I believe that this alternative will suit my study best taking into account the research questions dealing with the respondent's attitudes and beliefs in regards to different aspects of organizational ambidexterity. Using a semi-structured question format will let me ask clarifying questions and for examples whenever I feel that is necessary. It will also let me adopt my questions during the actual interview depending on what kind of examples the respondent gives.

As the concept of organizational ambidexterity is rather theoretical and the understanding of it might differ among the respondents no particular references to the terminology of the concept was mentioned during the interviews. Rather, using well established proxies identified in the literature study I approached the subject indirectly. The questions were developed with reference to existing research on organizational ambidexterity. In addition, particular tools and models were used when they were found to be present. One example of this is the diagnosing tool of the contextual solution, developed to assess the prerequisite of the option for realizing organizational ambidexterity (Birkinshaw & Gibson, 2004). An overview of my questions can be found in Appendix 1.

On a more practical level, the interviews were conducted in the following way. At the beginning of the interview a few questions of open character was prepared. After that, depending on the response I got from that particular interviewee I continued asking my prepared questions. In other cases, when the respondent was more active I let him continue while keeping focus on my interview guide making sure no question was missed. As the interview continued I started to become more specific in my questions, either in addressing particular matters mentioned by the respondent or as to my prepared questions. As attitudes and beliefs are the focus of my research questions I also tried to, as the interview had gone on for a while, come back to aspects I felt not had been covered to the extent I wished or being of particular interesting character. Thus, trying to make sure that the respondent explained his or her attitude on particular matters as detailed as possible so I didn't miss anything.

### 2.4.3   Selection of respondents

Following that I got permission to do my study at Aerfast AB I started the process of trying to identify the most suitable respondents to answer my proposed research question. In regards to my research question on the attitudes and belief in regards to organizational ambidexterity a simplification of the company's organizational structure was necessary. While comparing everyone's answers against everyone else' would have been interesting, it is both time-consuming and hard to do practically.

Therefore, in a discussion with the Finance & Personnel manager, using the companies present organizational design chart as a starting point, two main hierarchal organizational levels were identified. In identifying these layers the criterion was used that *each person eligible for the levels was to have a unique area of reasonability and or have at least one person working directly below them in the hierarchy.* As the tensions between exploitation and exploration is eventually resolved coming down at the lowest level of an organization (Raisch & Birkinshaw, 2008) those of the employees not meeting the criteria of any of the two definitions described was thus excluded from the study. Example of positions excluded was administrative assistants and marketing assistants.

As a result of an organizational restructuring at the beginning of this year the company's top management composition has changed. Today, the company is to a great extent run by what they refer to as the *management group*, consisting of three functional managers at the head quarter. The formal CEO of the company have no direct involvement in the company and the position has since long back been filled by the Secretary General, announced by the company's owners. The Secretary General is normally located in Belgium while visiting Aerfast AB once a month. As a result, the Secretary General was categorized as being on the management level.

Based on the definitions and a discussion with the Financial & Personal manager two hierarchical levels were identified: the *management level* and the *operational level* (see fig A).

*Fig A. Aerfast's organizational design –hierarchical levels*



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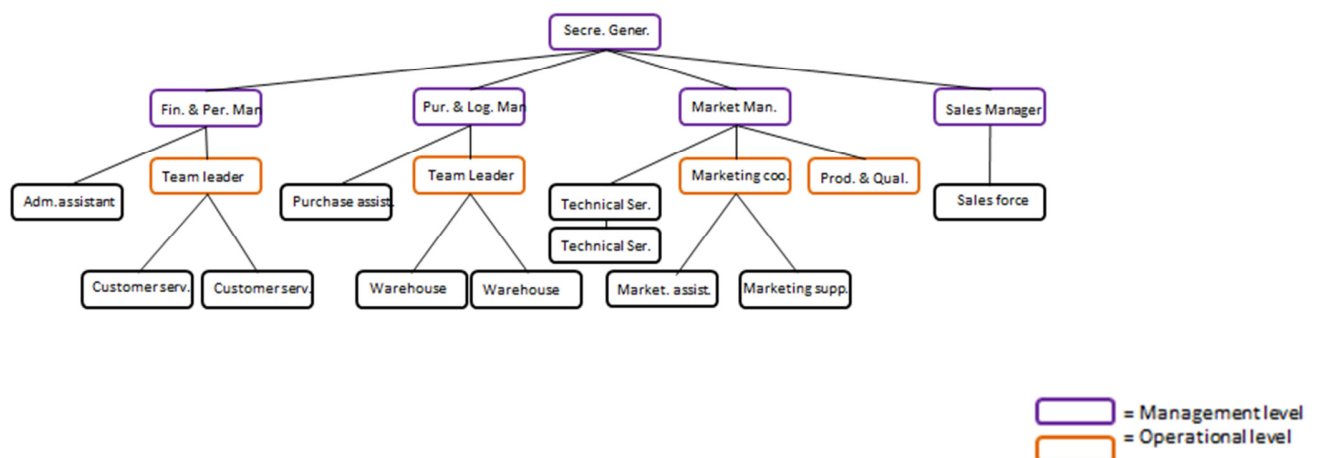
After having identified the different organizational hierarchical levels to target, based on availability I went about doing the conducting the actual interviews, starting with the operational level and working my way up through the organization.

*Table B. Summary of conducted interviews at Aerfast.*

| Position | Hierarchical Level | Date | Duration |
|---|---|---|---|
| Secretary General* | Management level | 4/4-2011 | Approx. 1 h |
| Personnel & Finance Manager | Management level | 4/4-2011 | Approx. 1,5 h |
| Purchase & Logistics Manager | Management level | 4/4-2011 | Approx. 1 h |
| Sales Manager | Management level | 5/4-2011 | Approx. 1 h |
| Marketing Manager | Management level | 5/4-2011 | Approx. 1,5 h |
| Marketing coordinator | Operational level | 6/4 -2011 | Approx. 1 h |
| Responsible Product & Quality | Operational level | 6/4 -2011 | Approx. 0,75 h |
| Team leader customer service | Operational level | 6/4 -2011 | Approx. 1 h |
| Team leader warehouse | Operational level | 6/4 -2011 | Approx. 0,75 h |

*Secretary General* holds an operational position similar to the one of CEO, chosen by owners of Aerfast AB, The Van Aerden Group BV to run the company.

Based on several different arguments I have decided to make all respondents in my study anonymous. To begin with, Aerfast is rather small company having only 17 employees working at the head quarter. If referred to by name or even position it would be obvious what statement came from a particular employee. Taking this into account, the information shared at the interviews would most probably have suffered as the subject of my thesis partly concerns the respondents' attitudes and beliefs towards the company and its related routines, structures and organizational design among things. As a result, throughout the following chapter no names or position of the interviewees will be used.

2.4.4    **Secondary data**

Immediately after having got the permission from the Secretary General of the company to conduct the study at the company I went about doing some research on the company. For this purpose I used secondary data as company reports, income statement and other written documentation. To fill in the gaps I contacted relevant departments at the company to obtain company information that was not clear after having done my initial research. The sources of secondary data also included the research databases www.retriever.se and www.affärsdata.se.

2.4.5    **Literature study**

Taking on and structuring a research field covering such a broad and diversified area as the one of organizational ambidexterity turned out to be easier said than done.

As a starting point, I used the database Scopus to start narrowing down my literature review. Using key words such as *ambidexterity*, *exploit and exp*lore and *adapt and align* I narrowed down the scope of papers explicitly covered the field of ambidexterity. However, after having identified a selection of papers covering the explicit debate concerning organizational ambidexterity and its' underlying contradicting organizational demands of exploitation and exploration I became aware of the flaws in my initial search strategy.

The academic field concerning organizational ambidexterity is rather new, but the underlying contradictions have been studied for a long time. The concept of organizational ambidexterity can thus be argued to be evident in research both explicitly and implicitly. The more recent part of the academic research uses the term organizational ambidexterity explicitly and is therefore easy to narrow down and identify. The other part though, is harder to capture. Drawing upon prior research implicitly arguing for the contradicting aspects of ambidexterity several concepts related to organizational studies have in retrospect been incorporated into the creation of the standalone academic research field of organizational ambidexterity.

As a reaction to have discovered the part of the research field not mentioning ambidexterity explicitly I decided to extend my search scope. In addition to my initial key words I added terms such as *reconciling organizational demands* and *incremental and discontinuous innovation* to my search criteria. Further, using more recent influential research papers as a source for identifying

key articles and authors I made sure I covered the appropriate scope in the following part of the literature study.

## 2.5  Research quality

Important in any research project, academic or non-academic, is to make sure that whatever conclusions are drawn from the study can be considered to be a reflection of the data examined. In evaluating research, two separate measurements are usually used: *reliability* and *validity*. Being not only familiar with reliability and validity, but also to have though through potential precautious is thus important. In the following paragraph I will discuss reliability from a concept point of view but also in regards to my study followed by a similar discussion related to validity.

### 2.5.1  Reliability

Reliability is normally concerned with whether the findings can accurately be replicated by other researcher in similar cases, or put in another way, the deviations in data collection that vary from time to time or depending on who collects the data (Bryman & Bell, 2007). In minimizing the deviations between observations it is important to be aware of the problem itself. Only having read-up on the subject I believe will let you be careful and to some extent, be able to avoid the problems that usually are referred to as reliability related weaknesses in research.

Using interviews as a method for collecting data makes this parameter even more important than in a quantitative study. Since the source of information is individuals coming from different backgrounds, with different values and ways of understanding their surroundings information can easily be misinterpreted. Also, as my study is aimed at comparing collected data from different hierarchal levels in an organization there are also the possibility that some individuals prefer not to share certain information or that they are uncomfortable with them knowing about else I will interview. To address this particular issue, all the interviewed employees at the company have been given anonymity.

Another example of circumstances that might affect the reliability of my study is how I interpret the data that I get from the interviews. Certain words and expressions used by different individuals might not mean the same thing for everyone. Also, when describing various organizational phenomena and concepts individual differs in how they define them. Educational

background and prior experience might both influence this. Therefore it is crucial for me to evaluate the data I get and not generalize it if, say, the sources are respondents on different organizational levels. If uncertainties' regarding this becomes apparent already during the actual interviews, asking for clarifying examples might be a good way of avoiding misinterpretation. Another solution is to, during the actual interviews, share my definition of certain terminology that might be subject to different interpretations.

In qualitative research strategies there is always a risk that data or information is either misinterpreted or not understood correctly by either the interviewee or the interviewer. The fact that the source of information is individuals will always suggest that there is a concern in regards to reliability. However, I believe that through my understanding of the origin of the concern and the precautious actions I have taken to minimize it, my study will not give rise to any considerable levels of reliability related problems.

### 2.5.2    Validity

The second aspect of the quality of research, and in many ways more important than reliability, is validity. In its general form validity is concerned with the outcome and conclusions of the study (Bryman & Bell, 2007). To validity there are different aspects, in which I will account for those argued to the most applicable to a qualitative study (Bryman & Bell, 2007).

Starting with internal validity, it is the form of validity that is concerned with the causality between two identified factors. If the conclusion is drawn that x causes y, internal validity would be the measure that captures the flaw if that would not be the case (Bryman & Bell, 2007). Thus, internal validity is concerned with whether a conclusion derived from a causal relationship between different variables can be said to hold water. The second type of validity that applies to my study is the external validity. It deals with whether a study's findings can be generalized, i.e. are the result and conclusions coming out of the study relevant and applicable to a greater context or not (Yin, 2003).

Obvious to both types of validity, internal and external, is that they need to be considered, not least if you are doing a qualitative case study. Having conducted my interviews and entering the phase of analyzing the data, internal validity comes into play. To what extent can I be certain that

what I interpret as a conclusion coming from quote x really is an effect of factor y? Well, to avoid that to the extent possible cross checking and getting data as well as conclusion verified is one tool to use. This can of course first of all be done with the interviewees during follow up sessions and second of all, with my supervisor. The first option will let me make sure that I haven't missed something just due to the fact *that the interviewee only answered the actual questions I asked.* Therefore, asking clarifying follow-up questions of more open character might limit this potential pitfall. The second option will let me make sure that my reasoning in regards to a particular conclusion is not wrong in the sense that it is of more a logic related problem, derived from myself.  Have I for example neglected factor xyz or have I underestimated the impact of zyx that in the end will affect the internal validity of my study.

Inherent in any single-case study is its limitations in generalizing the findings to a greater context. Per definition, only examining one company will have implications for the study's external validity. To this there are circumstances that can be used to avoid this problem. One thing is to clarify under what circumstances the conclusions have been drawn and be certain not to generalize outside the described context. In practical terms for my study this will mean that parameters such as the particular industry, organizational design, corporate strategy etc. will need to be taken into account when conclusions and findings are presented.

## 3    Litterateur study

In this chapter I will account for the literature study I have conducted. The first section entails an introduction to the research field of organizational ambidexterity and is followed by a chapter outline.

### 3.1    An introduction to organizational ambidexterity

Examining ambidexterity from a terminology perspective lets us understand the scope of the term as well as give us an idea of what it is associated with. Originally used as describing a lawyer taking fees from both plaintiff and defendant the term has evolved and become associated more with an ability rather than a phenomenon. Today, in broadly speaking terms, ambidexterity is associated with the human ability to use both hands at the same time but also with characteristics such as cunningness and cleverness. The term is today commonly used in sports context, describing talented tennis players, as well as gifted chefs, while the business related definition is narrower.

The first time it was used in relation to business, was when Duncan in the mid 1970's, in relation to organizational studies, expressed the need for firms to be aligned and efficient in their management of today's business demands while simultaneously adaptive to changes in the environment (Duncan, 1976). As a reaction to an escalating economic uncertainty, both being able to improve the firm today yet also develop for the future, the academic field concerning ambidexterity has gained interest throughout the years. Put in another way, companies need not only execute on new opportunities but should also have the ability to exploit the value of the proprietary assets and roll out existing business models quickly (Birkinshaw & Gibson, 2004).

Even though the underlying concept of ambidexterity, namely for an organization to be able to commit to doing two inherently different kinds of activities simultaneously, had been apparent for a long time, the field in itself took another turn in the early 1990's. In March's (1991) landmark article, he established a base for the debate regarding exploitation and exploration, a debate that still uses the same platform for discussion today. Exploitation and exploration was proposed to be two fundamentally different learning activities any firm needs to divide their attention, as well as resources to (March, 1991).

Through the years the two strategically contradicting forces, combined successfully, lead to ambidexterity has been widened in scope. In 1996, Tushman and O'Reilly were the first to present a comprehensive theory of organizational ambidexterity, something that became the start of new field in research. Today the very same phenomena, first described by March in 1991 using exploitation and exploration and later by Tushman and O'Reilly using the term ambidexterity, can be found in a number of different research fields.

What the different research fields have in common is that they can all be related to the research on exploitation and exploration and summed up in Tushman and O'Reilly implicit and March explicit description of the underlying paradox of ambidexterity. This is, being two fundamentally different learning activities between which firms divide their attention and resources (March, 1991). Or, using the words of Birkinshaw and Gibson (2004), *"The simple idea behind the value of ambidexterity is that the demands on an organization in its task environment are always to some degree in conflict"*.

### 3.1.1  Litterature study overview

Although earlier research on organizational ambidexterity often treated it as an insurmountable paradox, more recent research has not only presented a more contemporary perspective on ways to deal with the matter, but has evolved to seeing it as a prerequisite for successful companies. Not only that, it has also contributed to an academic debate rich in depth and schools of thought.

The academic research field that directly or indirectly has used the concept of organizational ambidexterity is very wide in scope and diversified as to the particular field it has been studied. To better understand the structure of my literature study, but also to clarify the link between a particular section and my research focus, fig. B. presents a chapter overview.

*Fig. B. Framework for understanding organizational ambidexterity*
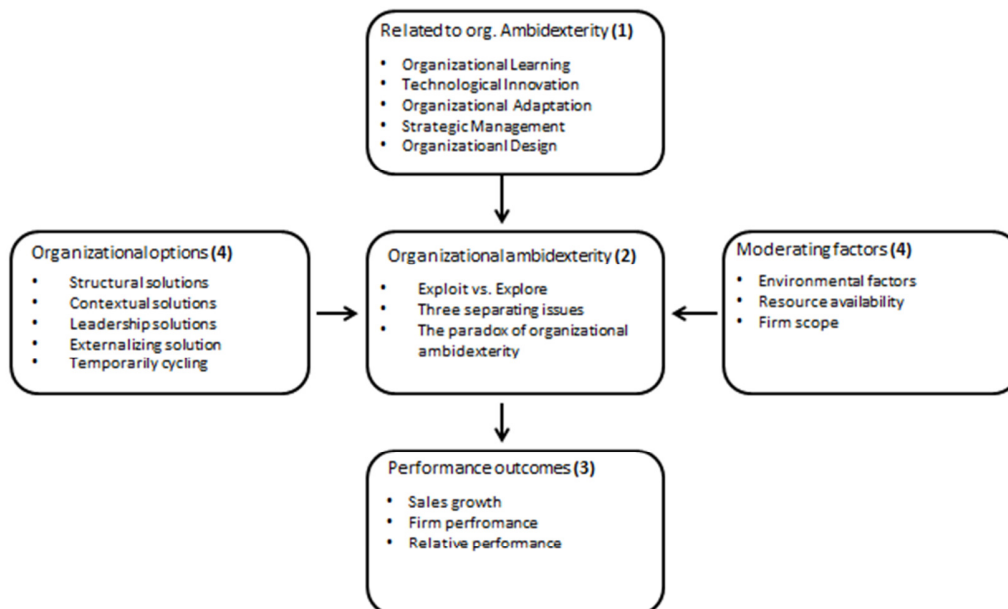


Throughout the chapter, I will in the order conceptualized in fig. B. illustrate the various aspects of organizational ambidexterity. The first sections focuses on putting the different aspects of organizational ambidexterity into context but also to account for the research scope associated with the subject. In the latter ones, I will in depth account for the different ways present research proposes to deal with the contradicting forces underlying organizational ambidexterity.

## 3.2   Research on topics related to ambidexterity

The implied contradiction between exploration and exploitation built into organizational ambidexterity can be found in a number of different research fields. As a starting point, I will in this section cover the major organizational research areas where the underlying paradox of ambidexterity can be found using a recent categorization based on the work of Raisch and Birkinshaw (2008). The covered areas are *Organizational learning*, *Technological innovation*, *Organizational adaptation*, *Strategic management* and *Organizational design*.

Note that some do explicitly mention organizational ambidexterity's underlying paradox, contrasted by exploration and exploitation, while others deal with the issue without explicitly using this terminology.

### 3.2.1 **Organizational learning**

In the academic research area related to organizational learning, exploration and exploitation can be found present, having its origins in March's article from 1991. Some researchers have argued that exploitation is a mere reuse of existing knowledge and has explicitly associated learning with exploration (Rosenkopf & Nerker, 2001). Other scholars chose to see the situation form a different perspective. Instead, for example, Benner and Tushman (2003) do not focus on the presence or absence of learning but the degree of it related to both exploration and exploitation at the same time. In other words, they argue that the debate regarding organizational learning in itself should not be the focus, but rather acknowledging that both exploration and exploitation are associated with learning but in different ways. Along the same lines, Baum, Li and Usher (2000) suggest that *"exploitation refers to learning via local search, experiential refinement, and selection and reuse of existing routines. Exploration refers to learning gained through process of concerted variation, planned experimentation, and play"*.

What both Baum, Li and Usher and Rosenkopf and Nerker typify are types of organizational learning that can be found in other more explicit theories on organizational learning. The double loop versus the single loop of learning (Argyris & Schön, 1978) and generative verses adaptive learning (Senge, 1990) are two well-known theories that explain organizational learning by distinguishing                    different                    modes                    of                    it.

While earlier researchers have found that the two types of learning that come from exploration or exploration are incompatible, more recent studies suggests that exploitative and explorative types of learning are achievable simultaneously (Auh & Menguc, 2005). Lately, the dominant argument in research has been that organizations need a well-balanced combination of different types of learning processes (Gupta et al., 2006).  In a recent study Mom and his colleagues (2007) found that managers may engage in high levels of exploitation as well as exploration activities. Their findings suggests that, from a managerial perspective, the more managers facilitate for top down

and horizontal flow of information, the higher the levels of both exploitation and exploration activities the managers can involve herself in is.

### 3.2.2 **Technological innovation**

In the research field of technological innovation, one, if not the most central theme, is the distinction between radical and incremental innovation (Abernathy & Clark, 1985). Radical innovations refer to fundamental changes that often lead to a shift from one product or usage to another. Incremental innovations though, represent relatively small changes or adaptations to business processes, products or organizational activities. Building upon the original classification of radical and incremental innovation Tushman and Smith (2002) extend the concept by associating incremental innovations with the objective of meeting existing customer needs to exploitation. Radical innovation, are according to them, designed to meet the demands of new potential customers and are thus related to exploration.

*Fig. C. The innovation map*
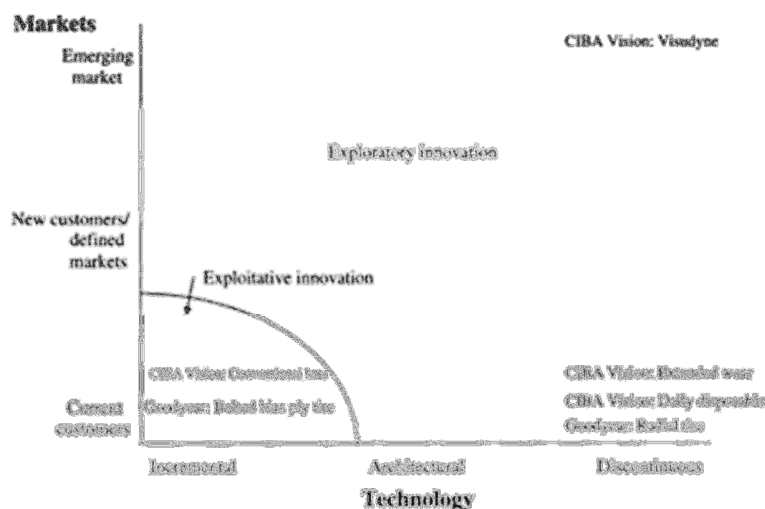


(Adopted from Tushman and Smith (2002)

Various studies do conclude that combining the two types of innovation simultaneously do cause problems (Abernathy, 1978; Leonard-Barton, 1992). One example of this is a study conducted by Leonard-Barton (1992), who illustrates the problem by what he calls the capability-rigidity paradox related to product innovation. Exploiting existing product innovation capabilities may have a

negative rigidity effect since it only lets a firm focus on a particular type of capabilities, in the process, excluding others that may be related to exploration.

A suggested solution to the paradox described by Leonard-Barton is what Ancona et al. (2001) refers to as dynamic capabilities. An overarching organizational capability based on the fact that some organizations do manage to cope with contradicting needs and demands. From a dynamic capability point of view there is research suggesting that balancing between exploitation and exploration should be seen as a new source of competitive advantage beyond those derived from any of the two activities individually (Colbert, 2004).

### 3.2.3 **Organizational adaptation**

The fact that, for a firm to achieve long term success it needs to constantly balance between continuity and change, is a well establish assumption (Volberda, 1996; Probst & Raisch, 2005). On a more concrete level, several studies try to explain how firms deal with this dilemma. In a paper from 1985, Tushman and Romanelli develop a model describing organizational evolution that is defined by longer time periods of convergence, punctuated by short periods of discontinuous change and disruption. Relating to Tushman and Romanelli's model of exploration and exploitation, Tushman and O'Reillly (1996) argue that what successful firms do is not only focusing on exploitation during periods of evolutionary change (continuous change), but also exploration during periods they defined as revolutionary change (discontinuous change).

The common denominator in the above described studies is that too many changes or too much change will lead a firm towards organizational turmoil. On the contrary, a firm resisting change and thus emphasizing it too little, will get hit by inertia (Levinthal & March, 1993). This dilemma constitutes a delicate situation that every firm needs to be constantly aware of. However, it has been argued that change should be a rhythmical organizational process. S.L Brown & Eisenhardt (1997) see change as a regular and continuous organizational matter that does not necessarily have to be a sequential process, but a balance between explorative and exploitative activities.

Acting as a facilitating mechanism in the regular and continuous organizational change process is the firm's top management. So at least Tushman and Romanelli (1985) argue, suggesting top management take on the responsibility of *"mediating between forces for convergence and forces*

*for change"*. However, in other studies the role of top management has mainly been linked to being a driver of discontinuing change (Floyd & Woolridge, 1996; Shrivastava, 1986).

### 3.2.4 Strategic management

In the field of strategic management, the ability to balance between explorative and exploitative organizational activities plays a noticeable role. In his influential work from 1991 and 2002 Burgelman develops a model of *internal ecology* where he distinguishes between variation reducing and induced strategies processes. The induced processes (exploitative) includes activities and actions that could be defined as being ones within a firms present scope and strategy, thus building upon existing knowledge. Variation reducing (explorative) processes incorporate activities that take place outside of the firm's scope and strategy, thus building upon obtaining new knowledge. Burgelman explains this paradox with the fact that both types of activities compete for top managements' attention via the limited availability of resources (Burgelman, 2002).

Following Burgelman's work, other researchers have described the same phenomenon, though using slightly different terminology. Ghemawat and Ricart i Costa (1993) make the distinction between static efficiency and dynamic efficiency. The former being about the refinement of existing products, routines and capabilities and the latter of new ones. Similar to Burgelman, Ghemawat and Ricart i Costa describe the organizational paradox as having to choose one from time to time, not doing it one on the behalf of the other.

### 3.2.5 Organizational design

Organizational design scholars have for a long time discussed how to make use of both efficiency and flexibility measures. Earlier studies describe this tradeoff as the central *paradox of administration* (Thompson, 1967). Contrasting the extremes of organizational design, Burns and Stalker (1961) argue that mechanistic structures rely only on standardization, centralization, hierarchy and support efficiency. At the other end of the extreme, the organic structure can be found. An organic structure, contrary to mechanistic structure, is characterized by high levels of decentralization and autonomy thus supporting flexibility.

While the earlier research covering organizational design has been focused on describing different organizational modes, later studies have mostly focused on how to optimize the design question.

Though hard to achieve within one firm, several authors have argued that a combination of both mechanistic and organic would be beneficial. Instead, recent studies claim that if not both elements can be combined to a full extent, identifying features of both the mechanistic and organic organizational design would resolve the design paradox (Adler et al., 1999; Jensen et al., 2005).

## 3.3   Research on organizational ambidexterity

Moving from examining ambidexterity from a wide scope, the next section will in depth account for the different research that has come to recognize the importance of balancing contradictory tensions within organizations (Katila & Ahuja, 2002) from an exploitative and explorative point of view.

Areas covered are how to balance the contradicting organizational demands of organizational ambidexterity, the major difference within the academic field, the proposed consequence of not being able to successfully adopt an ambidextrous organizational mode and finally ambidexterity and performance.

### 3.3.1   Exploitation versus Exploration

A central question for any organization has for a long time been concerned with how to be aligned and efficient in their management of the today's business and at the very same time be adaptive to changes in their environment (Gibson & Birkinshaw, 2004). The underlying paradox of being both aligned and adaptive dates back to the landmark article published by March in 1991. In his paper, March describes the dilemma as a question of balancing between two different learning activities each at the end of a continuum, namely exploration and exploitation. Exploration is, according to March (1991), associated with *"search, variation, experimentation, and discovery"* while exploitation is related to activities such as *"refinement, efficiency, selection, and implementation"*.

March (1991) argues that a central issue for any firm should be how to resolve the paradox of exploitation and exploration and balance the attention and resources between the two extremes. However, the inherent problem in doing so can be found in the underlying contradicting nature of

the two activities. Both exploration and exploitation is, using March's definition of the two, associated with fundamentally different organizational activities and has therefore been argued to be impossible to combine (Miller & Friesen, 1986). Exploitation requires different organizational architectures, processes, competencies and logic (Smith & Tushman, 2005). Adding to the differences described by Smith and Tushman (2005), by looking at activities such as innovation and different time frames the differences between exploitation and exploration becomes even more evident.

On a conceptual level exploration can be said to be rooted in variance increasing activities, while exploitation is about variance reducing activities (Raisch & Birkinshaw, 2008). In evaluating key business decisions such as innovation or cost efficiency the differences becomes apparent. Further, as a consequence of the underlying nature, exploitation could be interpreted as focusing on a firms' past and exploration with the future (Smith & Tushman, 2005).

Not being able to take advantage of both exploitative and explorative measures, or put in other words: be aligned and adaptive, March (1991) argues, will have consequences for any firm. However, it might not be as easy as it sounds to achieve it.

Assigning too many resources to exploitation may enhance the short term performance of a firm but will not let it stay competitive in the long run. It can result in what is referred to as a *competency trap,* not letting firms be able to respond in a satisfactory way to changes in their external environment (Leonard-Barton, 1992). Conversely, too much resources focused on exploration may improve the odds for a firm to renew or increase its knowledge base but could leave the firm in an endless cycle of search and committing to unrewarding activities (Volberda & Lewin, 2003). The pitiful of a too great focus on either exploitation or exploration can be found in other research, though; the chain of consequence as a result of a too much one-sided focus is different. Instead of arguing from the basis of competence and knowledge, Benner and Tushman (2002) suggest that too much exploitation drives inertia and dynamic conservatism and as a consequence exploitation crowds out exploration. Similar to this argument is the one proposed by He and Wong (2004). They argue that exploration drives out efficiencies and therefore prevents organizations from obtaining economies of scale and learning by doing.

Avoiding the downward spiral that among others Volberda and Lewin (2003) describe, resulting from a too big focus on either exploitation or exploration, is easier said than done. Key in solving the dilemma is to understand the relation between exploitation and exploration. Whereas the two parameters could be seen as contradicting, others argue that the inbuilt difference between them should be seen as a strength organizations should make use of.

The link between exploitation and exploration can be found in the fact that firm specific capabilities are often part of a firms search for exploring new possibilities. In reverse, exploring new capabilities often helps firms understand their existing set of capabilities. Thus, it is proposed by Katila and Ahuja (2002) that firms can differentiate themselves not only to the extent they explore new things but also to the extent they explore their existing capabilities through exploitative activities. Consequently, the interplay between exploration and exploitation is argued to not only mutually exclusive but actually mutually reinforcing.

### 3.3.2 Three separating themes

Weather exploitation and exploration should be seen as mutually reinforcing or exclusive has nothing to do with the extent that should be seen as different. Going deeper into trying to explain the distinction between exploitation and exploration three distinct issues of conflict can be singled out, *ambidexterity versus punctuated equilibrium*, *orthogonally versus continuity* and *duality versus specialization* (Gupta et al., 2006).

The first area focuses on weather exploitation and exploration should be seen as *two ends of continuum or rather different orthogonal aspects* of organizational behavior. Different opinions on this matter can be derived back to the discussion on weather exploitation and explorations are complementary of competing aspects of organizational actions. In fig. D. the common debate on this is summed up by looking at exploitation/exploration related to performance under the assumption that they are two ends of a continuum and orthogonal.

Gupta et al. (2006) indicate that if exploitation and explorations do compete for scarce resources then they should be viewed as ends of a continuum. This argument, though, rests on the assumption that resources are scarce, something that there are different opinions on. Shapiro and

Varian (1998) for example argues that firm's resources are not scarce since they do have access to alternative resources. Also, Powell et al. (1996) argues along the same lines but instead find the solution to scarce resources in a firm's external environment.

*Fig. D. Trade-offs - Exploitation and Exploration*
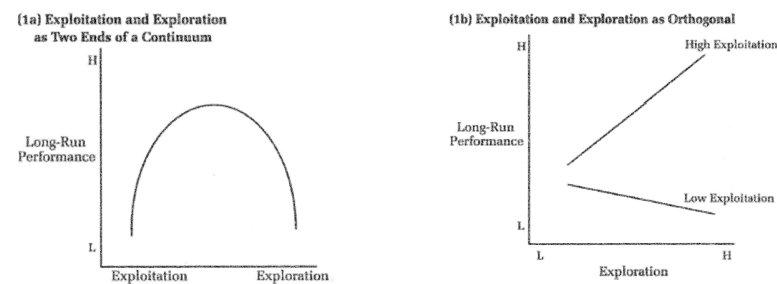


(Adopted from Gupta et al., 2006)

The second issue refers to *ambidexterity versus punctuated equilibrium*. This discussion addresses the inherent contradiction of how to combine exploitation and exploration at the same time. In contradiction to March's (1991) argument of a firm simultaneously being exploitative and explorative another way of dealing with it has been suggested, labeled punctuated equilibrium.

Via a process of temporal cycling a firm can sequentially combine periods of exploitation with bursts of exploration Levinthal and March (1993) describes using learning as a proxy . Gupta et al. (2006) argues that the appropriateness of each of the two way of dealing with combining exploitation and exploration should be evaluated in relation to the specific contingency.

The third and final issue focuses on *duality versus specialization*. In contradiction to the two previous issues, that both can be derived from March's (1991) argument that organizations need to be both exploitative and explorative, this one challenges the underlying argument of Marchs' paper from 1991. Questioning whether a firm actually needs be both exploitative and explorative to be successful in the long run Gupta et al (2006) argues, in relation to the work of Benner and Tushman (2003) though they do not mention specify binding conditions, under certain circumstances this

might be possible. The question of duality versus specialization thus become apparent is using a single business unit as an example. Rather than focusing on both exploitation and exploration a particular firm can instead focus on one of them and indirect *"delegate the task of achieving a balance between the two to the social system"* (Gupta et al., 2006). Interpreting it, this described scenario is similar to the logic behind ambidexterity we know, namely to both commit to exploitative and explorative activities simultaneously. The difference in Gupta and his colleagues' statement can be found in whether it is up to a single business unit to make sure that balance is managed correctly between the two  or if each business unit should keep a one sided focus and leave the balancing mechanism to the greater context of the social system they are embedded in.

### 3.3.3    **The paradox of ambidexterity**

While various risks have been presented if focusing too much on either exploitation or exploration, there are other consequences for a firm not being able to address the two organizational demands adequately.  Often labeled *the ambidexterity paradox*, but in some cases phrased in a similar in another    way,    firms    may    face    the    risk    of    being    stuck    in    the    *middle.*

On the one hand, firms that principally pursue exploration may face the risk of never seeing their returns realized because they are hard to both estimate and take a long time to realize (Volberda & Lewis, 2003). The underlying problem can be said to be found in the amount of time it takes for returns to be realized and the uncertainty of those returns. Thus, the firm may suffer in the short term perspective but might be able to realize potential returns further away in time.

Not only do firms that prioritize exploration suffer from an inherent uncertainty of their short term returns but also from loss of potential spread of knowledge. *An "organization that engages exclusively in exploration will ordinarily suffer from the fact that it never gains its returns from knowledge"* (Levinthal & March, 1993). The implications are, according to Levinthal and March severe, stated as *"an organization that engages exploitation will ordinarily suffer from obsolescence"*.

On the other hand, for a firm to focus their resources on exploitation there are also rigorous implications. While exploitation has been suggested to solve the problem of uncertain short term returns, and thus contributing to the firm's survival in the shortsighted horizon, it will not lead to long term survival. Ahuja and Lampert (2001) argues that even though exploitation may enhance a firm's short term performance, it can result in a *competence trap* as firms may not be able to respond adequately to environmental changes.

Firms that solely focuses on either exploitation or exploration will usually not be able to be competitive in both the short and long term perspective, thus, it constitutes a dilemma having to be resolved. As a consequence, Tushman and O'Reilly (1996) conclude that firms that are capable of simultaneously pursuing exploration and exploitation are much more likely to achieve superior performance than those who emphasizing one of the two on the behalf of the other. Others claim that exploitation and exploration have to both be combined in a firm for it to be able to create value (Eisenhardt & Martin 2000; O'Reilly & Tushman 2008; Teece, 2007). Either pursuing exploration or exploitation, one on the behalf of the other, is not enough. Rather, both aspects need to be considered and simultaneously combined for firm performance.

### 3.3.4   **Ambidexterity and performance**

Through the years various studies have been conducted with the objective of confirming that organizational ambidexterity has a positive correlation with performance. Just as organizational ambidexterity or the proxy used to measure it, performance is a rather ambiguous term.

From a chronological point of view, historically very few attempts has been done trying to test the hypothesis that ambidexterity contribute to firm performance. Only in the late 1990's, more specifically in 1999 Adler et al. found that both exploitation and exploration (also referred to as efficiency and flexibility by the authors) coexisted in a study on Toyota's product development. What their study did not show though was whether the coexistence could be related to a particular performance measure.  Confirming Adler and his colleagues' findings Katila and Ahuja (2002) found a positive interaction between exploitation and exploration, but did not test their findings against firm performance.

The first study testing the ambidexterity hypothesis empirically was done in 2004 when He and Wong. Based on a sample of 206 manufacturing companies they found consistent evidence that the interaction between exploitative and explorative innovation strategies has a positive correlation to sales growth and the absence of the balance to have a negative correlation. While He and Wong (2004) tested the hypothesis on a firm level Gibson and Birkinshaw (2004) looked at firms on a business level. Based on their data consisting of 4195 individuals in more than 40 companies they find evidence that the combination of exploitative and explorative measures was significantly related to the firm's performance. Shifting the focus of the study from firm and business level to looking at 139 small and medium sized firms Lubatkin et al. (2006) also found that ambidexterity is positively related to *"firm performance relative to that of other major competitors on profitability and growth"*.

*Fig. E.  A model of new wealth creation*
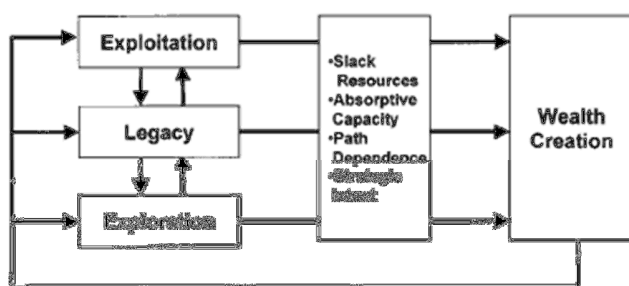


(Adopted from Lewin et al., 1999)

However, contradictory to the above described studies Venkatraman et al. (2007) testing the ambidexterity hypothesis on 1005 software firms over a 12 year period their finding do not support prior evidence of such a relationship. What their study instead supports is that ambidexterity significantly predicts sales growth as a measure of firm performance.

My literature review on how ambidexterity empirically affects firm performance clearly show that the past studies on the subject are rather limited by numbers and do show somewhat contradictive evidence. Even though the great majority of studies conducted confirm that there is a correlation between ambidexterity and firm performance the variable firm performance is not held constant.

Different proxies used for firm performance as well as the study by Venkatraman et al. from 2007 makes the relationship, if not vague, in need of more research.

## 3.4   Options for realizing organizational ambidexterity

Just as there is somewhat contradicting evidence on the relationship between ambidexterity and performance, different scholars suggest different methods for achieving ambidexterity. The question of how organizations' balance and synchronize exploitation and exploration does not pose a single solution. Rather, evident from my literature review there are four main options of how to realize organizational ambidexterity (Raisch & Birkinshaw, 2008), different in nature and how they define                    combining                    the                    two                    activities.

In describing options on how to solve organizational ambidexterity I will in the followings section, in accordance with March's landmark article (1991), argue that exploitation and exploration are two inseparable facets of an organization and thus make a distinction between two distinct approaches to achieving organizational ambidexterity. Exploitation and exploration should be considered to be two elements, part of an interdependent process that needs to be combined within the boundaries of a firm to generate synergies (Floyd & Lane, 2000). Thus, by externalizing one of the two the potential synergies created in the presence of both of them may be harmed (Benner & Tushman, 2003). Conversely, organizational ambidexterity requires a firm to be exploitative and explorative, simultaneously and internally (Gibson & Birkinshaw, 2004; Tushman & O'Reilly, 1996).

Therefore, in this part of the chapter I will first briefly account for the solution that argues for using a *temporarily cycle process* and to *externalizing* either exploitative or explorative activities, thus focusing on one at the expense of the other. Then, naturally, my focus will be on discussing approaches that could be achieved simultaneously within the boundaries of a firm, namely *Spatial separation, Parallel structures, Contextual solutions* and *Leadership-based solutions* (Raisch & Birkingshaw, 2008).

### 3.4.1.1 *Temporarily cycling*

One suggested solution on how to deal with both assuming exploitative and explorative activities has been to sequentially cycle between the two. In a study from 2003 Siggelkow and Levinthal show that, focusing on organizational design as a means, there are benefits to be had if an organization chooses one at the expense of another during periods in time. Building upon the previous work of Nickerson and Zenger (2002) showing evidence in modular organizational design, Siggelkow and Levinthal develop their model.

As opposed to choosing a particular way of organizing a firm a combination of first a more, followed by less, decentralized structure shows clear signs of performance efficiency. This sequential way of organizing a firm, *"allows the firm both to avoid low-performing activity configurations and to eventually coordinate across its divisions"* (Siggelkow & Levinthal, 2003). In other words, first take advantage of what a decentralized organizational structure offers in information flows and proximity and second, reap the benefits coming from in a systematic way organizing the different organizational elements.

### 3.4.1.2 *Externalize*

Another way of realizing the potential of both exploitative and explorative activities is to externalize one of them. In a paper, using alliances as an example, Lavie and Rosenkopf (2006) argue that the inherent trade-offs associated with ambidexterity poses a structural problem for organizations. The solution they identify is to acknowledge that firms "*balance their tendencies to explore and exploit over time and across domains*" (Lavie & Rosenkopf, 2006), i.e. during times the trade-off of simultaneously both engaging in structural exploitative and exploitative activities are greater than the benefit of focusing on one of them. Instead, explaining the behavior they introduce the term *second-order exploitation, "whereby firms leverage their experience to enhance the efficiency of either exploration or exploitation activities"* (Lavie & Rosenkopf, 2006). Hence, in formal or informal coalitions, for example Alliances, firms can benefit from the proposed trade-off by externalizing part of their organizational activities either related to exploitation or exploration.

### 3.4.2   **A balancing act**

Below I will based on my literature review one by one go through the four main approaches evident in the academic field on how to intra-organizationally balance between exploitative and explorative activities. In chronological order I will cover *Spatial separation*, *Parallel structures*, *Contextual solution* and *Leadership-based solution* and in-depth explain the arguments and thoughts behind each school of thought.

Note that *Structural solutions* incorporates two different options, spatial separations and parallel structures. Though both are categorized as structural solutions they are two distinct different options.

#### 3.4.2.1   *Structural solutions*

A common argument supported by those who see a structural solution to the contradicting forces of exploitation and exploration is that ambidexterity can only be achieved by *"developing structural mechanisms to cope with the competing demands faced by the organization for alignment and adaptability"* (Birkinshaw & Gibson, 2004). A structural solution is thus about creating an organizational structure, i.e. by adapting the organizational design, as a way to balance exploitative and explorative demands. In practice, this can be setting up separate business units focusing on one or the other.

Focusing on what these structures should look like different ideas have been put forward. Two main concepts can be singled out, *spatial separation* and *parallel structures* (Raisch & Birkinshaw, 2008*)* of which I will start going through spatial separation followed by parallel structures.

In line with the general underlying thought of structural solutions, spatial separation involves a separation of a business unit or at a corporate level (Raisch & Birkinshaw, 2008). Almost as simple as it sounds, the trade-off related to exploit and explore is addressed by creating separate units within the organization specializing on either exploitation or exploration exclusively (Duncan, 1976). Such a configuration of the organizational design ensures that any particular business unit will work optimally towards the objective they are set to do, using the mandate they have been given. By avoiding conflicting goals and other inefficient conflicts of interests within the particular business

unit an organization can also make sure that different competencies that address different demands can be maintained (Gilbert, 2005). As a consequence, a spatial separation approach to organizational ambidexterity will not only create an unambiguous objective for each business unit but also make sure that the individual competencies within each and every business unit are utilized                                                                                                    optimally.

The described arguments in favor of spatial separation have though been challenged by several researchers focusing more on to what extent business units ought to be separated. Contributions to the debate regarding the degree of separation between business units can be found in many different forms. Starting with one extreme, Christiansen (1998) suggests that exploratory business units need to be completely separated to be able to pursue disruptive innovation, combining the two will not lead to long term success. A slightly more moderate view in regards to the extent business units need to be separated, in contrast to Christiansen's, can be found in the work of Levinthal (1997) and Leonard-Barton (1995). Both see the solution as creating loosely coupled organizations where the results, deriving partly from a strong decentralized organizational design, is sufficient        to        keep        exploitative        and        explorative        measures        separate.

Yet another view on the matter is presented by O´Reilly and Tushman (2004) who suggests a combination of separation and tight coupled elements. The organization they describe separates business units from one another, while at the same time, letting business units (especially focusing on explorative activities) be loosely coupled within themselves. As a result, letting each business unit keep their own processes and structures, while replacing the coordination mechanism at an executive level, the organization is able to combine innovations while pursuing incremental gains.

In contrast to the concept of spatial separation that dominates the research field within the structural separation area, there are several other studies that suggest there is an alternative to this approach (Raisch & Birkinshaw, 2008). The use of *parallel structures* provides the individuals within a particular business unit with the reasonability to decide based on the situation and the current demand what to do. In a rather flexible manner the employees are thus able to switch back and forth between different types of structures depending on what they see themselves suit the

situation best (Bushe & Shani, 1991). A particular business unit's primary task could for example be focused on efficiency enhancing and routine tasks, mainly contributing the organization with stability. On top of this primary task the same business unit could be assigned a secondary task, in the form of for example a project, that contrary to the primary task focuses on more ad-hoc tasks. These secondary tasks often involve innovative or improvement related goals, making its presence complementary to the primary ones and contributing the organization with the shortcoming of the routine tasks. The benefit of the coexistence of both primary tasks associated with routines and stability and the secondary tasks related to innovation and improvement can be found in assuring both organizational efficiency and flexibility (Adler et al., 1999).

### 3.4.2.2   *Contextual solutions*

Another approach to addressing how to achieve organizational ambidexterity is a fairly recently presented approach by Gibson and Birkinshaw (2004) labeled a contextual solution. They argue that contextual ambidexterity is *"the behavioral capacity to simultaneously demonstrate alignment and adaptability across an entire business unit"*. Instead of setting up costly and resource intensive structures and dual arrangements to support a spatial structure, the answer lies in creating a supporting business unit context. Gibson and Birkinshaw define context along the lines of Ghosal and Bartlett (1994) and should accordingly be interpreted as the systems, processes and beliefs that shape individual-level behavior in an organization. The implication of using context, rather than a structure, can be found in that power and authority is moved from top management to the individual employee. According to Gibson and Birkinshaw the advantages are many. Through a particular context the individuals are encouraged to judge for themselves how to best divide their time between activities related to either exploitation or exploration. With this come an enhanced organizational flexibility and the benefit of all business units working towards the same goal. Due to the nature of these demanding capacities individuals there are considerations as to how time efficient the process of setting up such a context is (Prahalad & Hamel, 1990).

Prior research has in several different studies acknowledged the contextual solution. Adler et al. (1999) found that using meta-routines (routines for changing the routines) and various job-enrichment schemes are two approaches sustaining a supportive context. Addressing the

shortcomings of the work of Adler et al. (1999) and Bartlett and Ghosal (1989) combined, Gibson and Birkinshaw (2004) propose that such measures are not enough. Instead, using partly prior work by Ghosal and Bartlett Gibson and Birkinshaw suggests that a context characterized by a combination of *discipline*, *stretch, support* and *trust* is needed. In their typology they propose that organizations need to balance the hard elements (discipline and stretch) with the soft elements (support and trust) (Gibson & Birkinshaw, 2004).

*Fig. F. Prerequisites of contextual solutions*
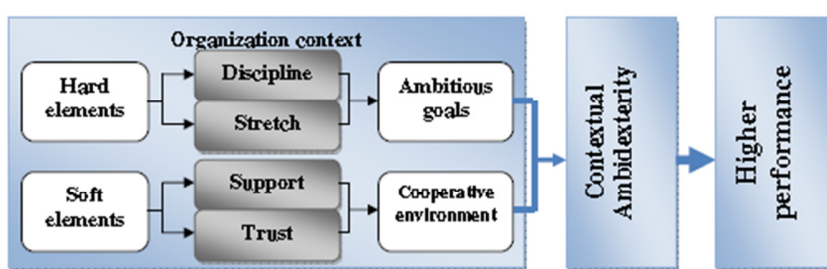
Categorized as hard elements Gibson and Birkinshaw's (2004) typology *discipline* is the attribute that encourages individuals to commit doing what they are supposed to do. Opposite, s*tretch* indicates a context where individuals want to achieve more than they are supposed to do. Among the soft elements *support* indicates a context in which people help and support each other. Finally *trust* is needed to create an environment build up by tolerance and respect. Taken as a whole the hard elements are there to make sure that the actual activities a business unit can be expected to do will get done while the soft elements are there to support and create cooperation.

The contextual solution to ambidexterity is as opposed to the structural solution previously described a fairly new and comparably little research has been done on it. Based on the identified flaws of the structural solution it proposes a more cost efficient and flexible option, according to its proponents. In a particular business unit it suggests that each and every individual should be able to choose between activities and initiatives associated with exploitation and exploration. Replacing the spatial separations' coordination mechanism, in terms of hard organizational structures, with context it's argued to be a more appropriate solution to achieving ambidexterity.

### 3.4.2.3 *Leadership-based solutions*

In addition to structural and contextual solutions to ambidexterity *leadership-based solutions* have more recently been put forward as an alternative. As key leaders of an organization top management have the ability to use their organizational position to shape the organizations path and move the organization in the direction of ambidexterity.

Up until only recently leadership was not considered to be a solution to ambidexterity in itself. This is evident in the work by Tushman and O'Reilly (1997) who state that ambidexterity is facilitated by top-managements' implemented internal process. Along the same lines a variety of studies support the argument that leadership is an important, though only a supporting, factor in achieving ambidexterity through either a structural or contextual solution. Gibson and Birkinshaw (2004) for example state that senior executives have an important role to play in developing an ambidextrous organization.

In contradiction to the prior mentioned studies there has also been put forward arguments supporting leadership as a standalone solution to ambidexterity (Lubatkin et al., 2006). Lubatkin and his colleagues propose that top management in small and medium sized firms can to a great extent facilitate for an organization obtaining the status of ambidexterity. Further, they argue that the level of top management's behavioral integration (defines as to the degree of senior team's wholeness and unity of effort) is pivotal in effectively coping with, and integrating, these disparate demands of exploitation and exploration (Lubatkin et al., 2006). The extent to which top management is behaviorally integrated in the organization is positively correlated with the ability to adapt to arising environmental changes and the firm's ability to refine existing technological and marketing trajectories (Lubatkin et al., 2006). Supporting Lubatkin and his colleagues' argument Jansen et al. (2008) argue that it's top managements responsibility to resolve the tensions between exploitative and explorative organizational demands.

Focusing on the role of top management other studies confirms Jensen et al. (2008) argument. Volberda et al. (2001) note that *"top management explicitly managing the balance of exploration and exploitation by bringing in new competencies to some units while utilizing well developed competencies in others"*. Here, it's in other words suggested by Volberda et al. that top

management balances between exploitation and exploration using their hierarchical position and not by simultaneously pursuing both on an individual level.

If the way suggested by Volberda and his colleagues could be said to be an indirect way for top-management to keep the balance, a more direct alternative has been proposed. Smith (2006) suggests that top-management teams should dynamically shift their resources between existing activities and innovative activities to support both simultaneously. Here, instead, the means used by top-management to handle the balance is not manifested through their taken actions but on an individual level.

Focusing on what shapes a particular top-management teams ability to choose between exploitative and explorative activities Beckman (2006) suggests an explanation can be found in their past company affiliations. Beckman argues that firms with a top-management team that has worked at the same company for a considerate amount of time engages in exploitation because they share the same values and work practices. Conversely, those who have worked at many different companies have different ideas and contacts that encourage exploration.

Supporting the argument of associating leadership with a solution to ambidexterity in itself, there are other studies that have focused on exploring this issue at different organizational levels. In a study describing organizational strategic roles, Floyd and Lana (2000) argue that middle managers are more exposed to conflicting goals coming from higher as well as lower levels of the organization. Having to choose which role to play, Floyd and Lane relate exploration to operating levels of an organization having to come up with novel solution to emerging problems. Top management instead is primarily associated with exploitation where promising solutions are selected and then leveraged.

### 3.4.3  Interaction and interrelatedness

In today's research field covering ambidexterity four distinct options for realizing ambidexterity can be identified (Raisch & Birkinshaw, 2008). Even though these different approaches have been separated in accounting for the different means of achieving ambidexterity there is evidence that suggests they may not be as independent from one another.

As Gibson and Birkinshaw (2004) describe their contextual solution, they argue that an organization's capacity to achieve ambidexterity through exploitation and exploration is best accomplished through a contextual and not structural solution. At the same time, Tushman and O'Reilly (1996) who argue for a structural solution do cite that a pre-condition for that is to have supportive leaders and flexible managers, which is similar to the argumentation that Gibson and Birkinshaw propose for the contextual solution. Also, Gibson and Birkinshaw argue for the importance of top-managements support in realizing their suggested contextual solution to ambidexterity.

Yet another somewhat contradicting contribution to the distinct different options can be found in a paper by Smith and Tushman (2005). They describe the leadership processes that need to be implemented for the realization of the contextual solution, yet, arguing for a structural solution. Again, a very similar argument can be found in the study by Lubatkin et al. (2006) who proposes that firms have to rely on top management to become ambidextrous and suggests a leadership based solution. Even though Lubatkin and his colleague's puts forward this argument in a study focused on small and medium sized companies the striking similarities should not be ignored. Finally, O'Reilly and Tushman (2007) state that organizational ambidexterity is not simply a matter of structure. Aside from arguing for a structural solution they cite overarching visions and values and an aligned senior management team as relevant antecedents of ambidexterity.

### 3.4.4 **Moderating factors**

In addition to the four proposed solutions on how to realize ambidexterity there are various moderating factors that can be identified in the literature. *Environmental factors*, *resource endowment* and *firm scope* are the most evident (Raisch & Birkinshaw, 2008) and will in the same order be covered in the following section.

### 3.4.4.1 *Environmental factors*

What has been the focus of many scholars interested in the subject of ambidexterity is how contingency factors affect the competitiveness in the industry and may act as an important boundary condition for organizational ambidexterity (Gibson & Birkinshaw, 2004; Siggelkow & Levinthal, 2003). On the subject there are numerous studies trying to establish how the industry

dynamism and competiveness can be related performance outcomes and exploitative and explorative.

In a paper by Jansen et al. (2005) evidence is found supporting that the *"extent to which units pursue both types of innovations simultaneously is shaped by local environmental conditions",* using *innovations* as a term for looking at different types of search patters for learning (exploit and explore). In the same study they found supporting empirical evidence that firms operating in an environment with high dynamism and competitiveness are more likely, than firms in industries where dynamism and competitiveness are not present to the same extent, to achieve ambidexterity. Also, characterizing a favorable environment for achieving organizational ambidexterity using the competitiveness, Auh and Menguc (2005) argue that firms work to achieve a balance between exploitation and exploration when faced with a highly competitive environment.

In other studies particular environmental factors is found to be more favorably associated with either exploitative or explorative activities. Jansen et al. (2006) argue that exploitative innovations are more beneficial for a business unit's performance in environments characterized by high competitiveness whereas explorative innovations are to prefer in dynamic environments. Concluding, the authors suggest that companies may, during periods of intensive intra-industry rivalry, need to temporally commit to some degree of explorative innovations to avoid getting caught in a downward spiral caused by increased competition.

*Fig. G. The moderating effect of environmental dynamism*



(Adopted from Jansen et al., 2006)
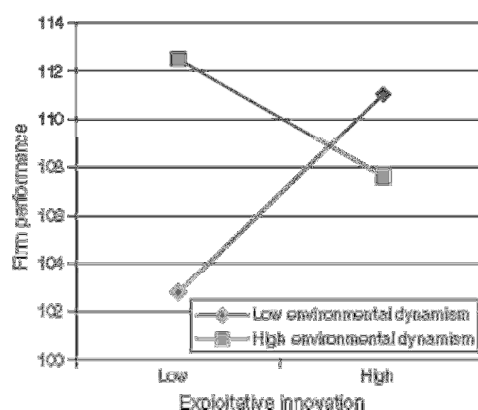
Raisch and Hotz (2008) find results partly confirming those of Jansen et al. (2006). During periods of high environmental hostility their evidence point to that there is a positive correlation to exploration.

However, a balanced approach to exploitative and explorative activities failed to show any evidence during periods characterized by a low degree of industry hostility. Interpreting this, the authors suggests the explanation to be found in that organizational ambidexterity may be more of a necessity than a differentiator leading to short-term performance (Raisch & Hotz, 2008).

### 3.4.4.2  *Resource availability*

There are several researchers who argue that the availability of resources is a factor affecting an organization's ability to successfully become ambidextrous. Rather intuitively, rich firms can be said to have an abundance of resources and thus be able to exploit and explore simultaneously while firms who operate under a resource scarcity will experience problems. Lubatkin et al. (2006) argues that though it is still not impossible, the lack of resources in combination with the absence of sufficient administrative systems to cope with such inherently different activities makes it tougher for smaller firms to become ambidextrous.

### 3.4.4.3  *Firm scope*

Using the argument of slack resources, Lubatkin et al. (2006) applies the logic behind it to explain how it affects the firm scope.  They conclude that a structural solution to achieve ambidexterity might be more appropriate for larger than smaller firms. Instead, it's suggested that smaller firms thus may benefit more from using a leadership-based solution not requiring a huge resource base to achieve it. Related to the study by Lubatkin et al. (2006) and their argument using resources as a requisite for the applicability of different solutions on how to achieve ambidexterity Gibson and Birkinshaw (2008) argues along the same lines. They suggest that a contextual solution may be more appropriate to use in smaller firms than in larger ones.

### 3.4.5    Summary of the literature study

In summarizing my conducted literature review it can be concluded that the research field of organizational ambidexterity is very diverse and broad in schools of thought. No matter if examining how the field is defined, the performance linkage to organizational ambidexterity or how to realize organizational ambidexterity similar conclusions regarding consistency can be drawn.

As the research field in itself is rather new it still lack research both on confirming various aspects of the field as well as broadening the scope to evaluate other factors and parameters that needs to be considered. One example of the former concerns how to realize organizational ambidexterity. Today four options can be identified: spatial separation, parallel structures, contextual solution and leadership-based solutions. They are all different as to what assumptions they are based and under which circumstances they are applicable. Another example regarding the latter is the ambiguous findings in regards to ambidexterity and performance. Here, studies tend to be contradictive both as to its' finding as to its definition and identification of proxies for firm performance.

Evident is that the research field has gained interest on a broad level, but the influence of the landmark article published by March in 1991 is still apparent. Though March original work still stands strong in the academic discussion more recent studies tend to broaden the scope to incorporate a wider spectrum of parameters. However, most research still bases its assumptions on the proposed definitions of exploitation and exploration defined by March in his influential paper from the early 1990's. Thus, as much as the interest and amount of research done on organizational ambidexterity has increased, still today, the better part of it can be traced back to where it came from.

### 3.4.6    Theoretical framework of reference

Using my literature study as a foundation, I will in this section clarify the theoretical framework of reference that will be used in analyzing the empirical study. Having covered a wide spectrum of aspects and areas of the research field of organizational ambidexterity, only those appropriate for my empirical study will be adopted.

With my proposed research questions in mind, the theoretical aspects found in the Theoretical framework of reference, shown in fig. H, will be used. Thus, the basic definitions on organizational ambidexterity and the identified options as how to realize organizational ambidexterity will consequently be used in the next few chapters.

*Fig. H. Theoretical framework of reference*
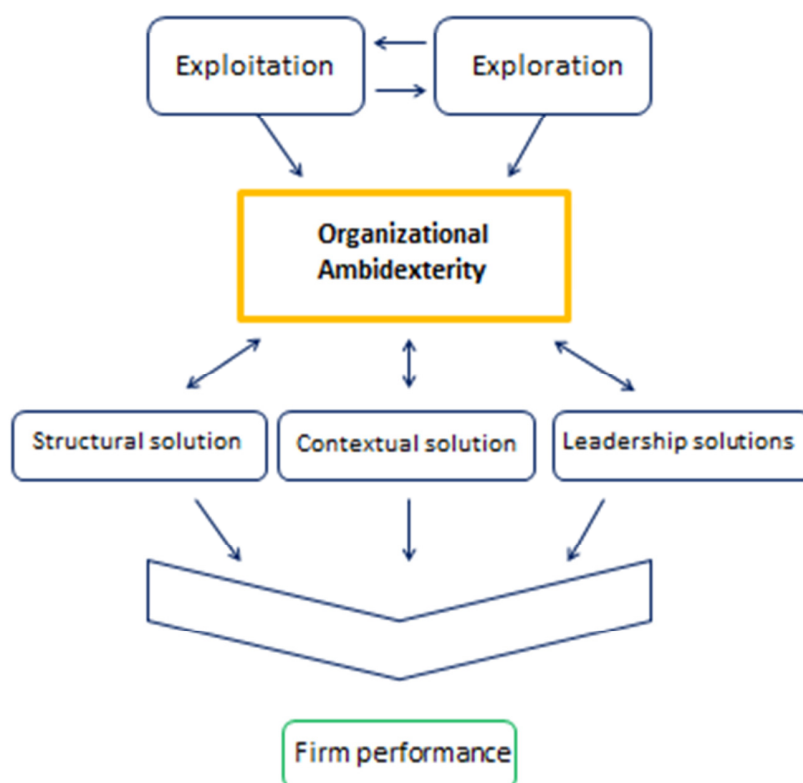
## 4    Empirical data and preliminary analysis

Presented below is the empirical data and preliminary analysis from the interviews conducted at Aerfast, starting with a brief account of the company. After the initial section describing the company the chapter will follow the structure of my proposed research questions. First, the question concerning attitudes and beliefs in regards to organizational ambidexterity will be covered and second, the question concerning attitudes and beliefs towards the identified options for realizing organizational ambidexterity. Below referred to as research question 1 and research question 2 respectively

In addition to objectively presenting the data from the interviews I will facilitate for the analysis in the next chapter. Thus, as a first step I will point to similarities in the data collected and single out patters where they have become clear from the interviews, though without drawing any specific conclusions from it. In the next chapter, *Analysis*, I will based on the preliminary analysis examine the data and go deeper into drawing conclusions. Having that said, it is thus important to recognize that the analysis will be presented in two steps, first in the initial preliminary analysis in this chapter followed by a full analysis in the next chapter.

## 4.1    Targeted company

In this section a brief overview of the targeted company, Aerfast AB, will be presented.

### 4.1.1    Company background

Aerfast AB (Aerfast), up until 2006 named Senco Svenska AB, has a long history in Sweden. Originally formed in 1980 the company today has its head office, warehouse and service center in Strängnäs Sweden. The company currently employs 27 people, of which 17 is situated at the head quarter.

During 2002 the company became part of the industrial group Van Aerden Group BV (The Van Aerden Group) founded in Antwerp Belgium in 1927. Today the group has operations in more than ten countries, market presence in five continents with a total turnover of more than 1 Billion SEK. Across Europe the group both has distributing units but also producing factories.

### 4.1.2    Business segments and products

Aerfast is primary a distributor and marketer of product within the fastening industry targeting the construction industry. The primary product lines are pneumatic and battery driven nail guns, staplers, compressors as well as all necessary nail to go with their tools. Their main brand is Senco and the newer Aerfast within the fastening segment, Dynatec within the adhesive segment and Getra for packaging equipment.

The company has two main business segments, the retail industry and the housing industry. Roughly 72 % of the company's annual turnover of 2010 was contributed by the retail industry, up from 57 % in 2005 and 43 % in 2003. For the housing segment the percentage of the annual turnover was 17,8 % in 2010, approximately 23,5 % in 2005 and 27 % in 2003. The remaining segments consists of packing, furniture/car seats, wood, windows as well as adhesives for industrial packing the biggest being packaging, representing approximately 3 % of the turnover in 2010.

### 4.1.3    Financial performance

Under the ownership of the Van Aerden Group Aerfast has grown at a fast pace. During the last year the company reported a turnover of approximately 98 MSEK during 2010.  Over a period of seven years, since being acquired by The Van Aerden Group, the company has more than doubled its turnover from approximately 44 MSEK to todays' 98 MSEK, while at the same almost doubled the number of employees.

Even though the fastening industry has been badly hit by increasing prices on steal and other material used in producing their products the company have managed to increase its EBIT margin. Today the company has a EBIT margin of 7,9 % while it was 7 % in 2003, suggesting the company came out of the economic crisis strong. Looking at numbers not taking the economic crisis during the last years in to account, the EBIT margin of 2007 was 9, 1 %.

### 4.1.4    Organizational design

The organization design of Aerfast is of functional character. As can be seen in fig. I. the company has adopted a decentralized organizational structure as part of their owners philosophy used throughout all of their subsidiaries. In having decided to not employ a local branch manager at the head office in Sweden The Van Aerden group has filled that position themselves. Rather

unconventionally, running their Swedish operations Aerfast is the Secretary General who have held that position for seven years working from Antwerp Belgium visiting Aerfast once a month. The formal CEO of Aerfast has his base at the Van Aerden groups head quarter in Belgium.

*Fig. I. Aerfast AB – Organizational design and management group*
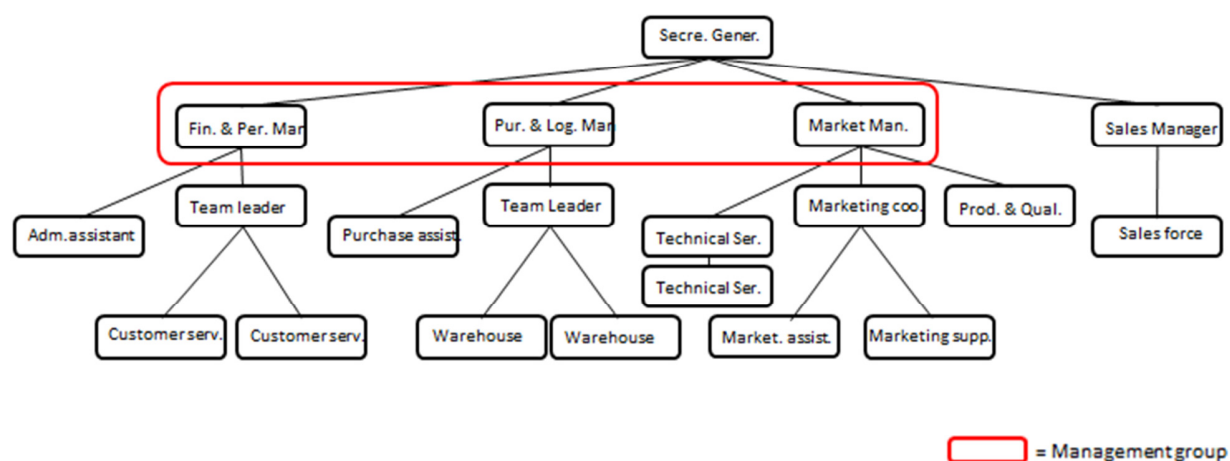


Below the Secretary General in the organizational hierarchy is the *management group* who are in charge of running the daily operations. The group consists of three of the functional managers, Finance & Personnel manager, Marketing manager and the Purchase & Logistics manager. In addition to these managers there is the Sales managers who are not part of the management group.

Below the management hierarchical level are a number of employees who holds positions entailing personal responsibility or solely responsible for a unique area of expertise. Such positions include team leader customer service, marketing coordinator and responsible for product & quality. Below these staff members, or working directly below a manager, the remaining staff members can be found.

### 4.1.5  Strategy and vision

Aerfast has under the ownership of The Van Aerden Group repositioned themselves and has today become a distinct premium brand within their market. Seven years ago roughly 20 % of the company's total sales came from the industrial segments like the housing industry. With shrinking

margins and higher commodity prices the company made a strategic decision to increase their focus on the retail segment due to different reasons. The company wanted to become less dependent on a few major customers in the housing segment, but maybe more important to head for the retail segment showing higher margins. Also, it was considered to be a great opportunity being rather unexploited segment of the market. At the time, few competitors had an effective marketing strategy, a focus on quality and functional design which Aerfast smartly took advantage of. As of today the company has come a long way in adapting themselves to their new targeted position. Communication and marketing material have been adapted and new products were evaluated to fit into the company's new positioning.

In adapting the internal organization to the market position several initiatives have been taken. First, the marketing and sales department was separated and a new strategic marketing strategy was launched shortly after. Understanding the importance of meeting the retailers' delivery demands the ware house was roughly doubled in size to be able to improve the efficiency. Another more recent action taken was to restructure the organization, emphasizing decentralization and empowerment of the employees.

Another important factor in this has been the company philosophy (see Fig. J. below). The philosophy platform is not new to the the Van Aerden Group but something they have put in use at all their subsidiaries. It emphasizes the importance of the employees taking an active part in the company. Key cornerstones such as Ethics, People and Growth (should not only be interpreted as only financial growth but also on a human level) all reflect this. Used actively, partly as a tool for evaluation, it has been an important tool in adapting the organization to reflect the company's strategy.

*Fig. J. Aerfast - Company philosophy*

PHILOSOPHY

THE FIVE CORNERSTONES:

ETHICS            GROWTH

VAN AERDEN
GROUP

PROFIT                    PEOPLE

IMAGE
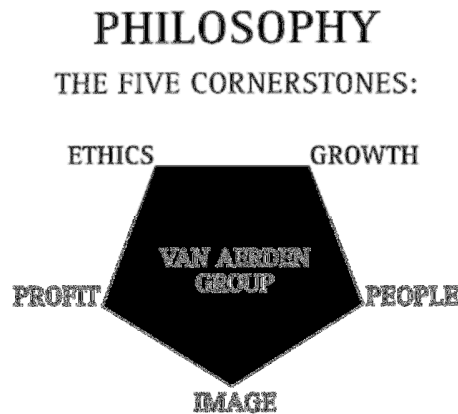
- Ethics – The manner in which we conduct our enterprise is

  socially and environmentally responsible and reflects integrity and honor

- Growth – In an ongoing challenge as it expresses our success and enlarges our responsibility

- People – Are responsible in their behaviors. They are provided with leadership, challenge,

  development, recognition, trust, security and reward.

- Profit – All our enterprises are committed to make profit. Profit ensure our future

- Image – Is the active reflection of our philosophy. We want to be seen as ethical,

- moral human beings who do professional, successful business*.

  (*Source. Official company documentation)

## 4.2   Evidence of research question 1

In this section an account will be given of the evidence of organizational ambidexterity in the form of anecdotes and examples that were presented by the respondents during the interviews.

In structuring the data it will be categorized, and thus, presented based on the identified hierarchical levels; first *management level* followed by the *operational level*.

### 4.2.1   Management level

The interviewees at the management level presented a rather unanimous belief that the presence of both exploitative and explorative activities related to ambidexterity are important. In acknowledging the importance of it, one of the respondents explained that not committing to both exploitative and explorative activities would be like *"only doing half of your job while the other one is left for someone else to do"*. Yet another respondent explained that *"what it actually*

*is about is for a company to be successful or not. It is what separates successful companies from those who are not".* In addition to the previous statement regarding the significance of ambidexterity in becoming a successful company one of the respondents explained that, *"Let's put it this way, a company that is not able to see the importance of it will not be able to stay ahead of its competitors for a long time."*

During the interviews several respondents presented arguments that, in recognizing the importance of ambidexterity, took their starting point in explaining the natural imbalance between the need for exploitative and explorative activities. It was suggested that explorative activities are harder to make part of an employees' daily work. An example of such an argument is one respondent saying that *"it is highly important for any firm, less Aerfast, to not get too focused on only the routine-like activities"*, another that *"even though it is important to do both, the daily work tasks will usually get higher priority"*.

Different opinions regarding why there is a natural tendency to primary focus on exploitative activities was brought forward during the interviews. One type of argument involves the time perspective, arguing that short-term work tasks will in most cases be dealt with on the behalf of more long term initiatives. An example of this is one respondent who stated that, *"At the end of the day we need to get todays' orders sent out to the customers, if not we don't make any money"*. A similar argument was explained by another respondent arguing that *"if you don't do what is expected of you on a daily basis it will be a problem, but if you haven't had time to look into whether that particular routine improvement would be a smart thing no one's going to bother you about it."*

Another type of argument concerns what is recognized and from what kind of activities immediate organizational response comes from. A statement mentioned by one of the respondents points to that *"Maybe we are not encouraging and giving enough praise concerning such matters",* continuing explaining that *such* matters refers to explorative activities. Along the same lines, another respondent said that *"there are definitely things we could do to increase the company's focus on development and new improvement."*

Another opinion on the reason why employees at Aerfast, according to the majority of the respondents, is prone to focus more on exploitative activities than explorative activities points to the company's history. This is reflected in one of the respondents statement saying that, *"we have during the years become very good at what we're doing."* Continuing, it was argued that a focus on efficiency in combination with the economic downturn, putting even more pressure on cost and clever allocation of resources, have all contributed to this. However, it was also suggested that in the process other important aspects might have been neglected. Also referring to several of the employees long history at the company it was pointed out by another respondent that, *"maybe we have gotten used to that the company has been successful"*, suggesting that the company, *"to some extent have forgotten to appreciate what got us here in the first place"*. On this particular matter, explained by the respondent, the company needs to go back and think about what can be done about it.

Statements arguing for the company's natural focus on exploitative activities can be categorized into those who mentioned customer-related matters and those who mentioned routine-related matters. In regards to serving their customers there were voices raised saying that, *"Aerfast has during the last six seven years become better at responding and adapting to what their customers ask for, but much still needs to be done"*. Actually, one manager stated that this is not only something that the company could do better or that would have considerable implications if it was to improve. Rather, it's actually something that is considered to be *"one of the greater weaknesses of the company"*. *"We can't afford falling behind, we've put ourselves in a good position but unless we continue working on it our competitors will soon catch up"*. Explaining his statement, the respondent continued saying that he felt that the importance of always coming up with new ways to address customer needs was not emphasized enough throughout the company, particularly among those working closest to the customers.

When it comes to arguments for the company's natural tendency to focus on exploitative activities in regards to routine-related matters, the importance of dealing with it was unanimously recognized. An example of such arguments can be found in one of the respondent saying that, *"it's really something we need to work with"*, another one arguing that *"for us the key in this question is how to improve the efficiency in the company"*. Another respondent stated that *"there are*

*probably many ideas on how to improve the company's routines to make us more efficient, but the question is how to get them up on a discussion level"*, clarifying by explaining that it's about getting those people sitting on those particular initiatives to speak up so their ideas can become reality.

Trying to explain the argued for underlying imperfection in the company's present way of dealing with new initiatives another explanation was put forward by several respondents, saying it was a company mentality problem. According to one respondent, the proposed problem was explained with the fact that Aerfast is a rather small company with only 17 employees working at the head quarter. This easily leads to the creation of strong informal formations. Continuing, he argued that, these smaller informal groups with strong leaders tend to create a situation *"that might not act in accordance with the company's overall objectives"*. Using the word mentality, another respondent made references to the organizational restructure that recently was implemented. With only a limited number of people working at each department it has always been a burden for the remaining employees at a particular department each time one of the colleagues sets aside time to something which is not part of the daily routine work tasks. With more responsibility as a result of the decentralization, it was argued, *"those who never have seen their job to entail direct responsibility for the company's long-term best have, to say the least, not appreciated the reorganization"*.   This, the respondent argued, has even further contributed to the disadvantageous mentality among some employees. A similar argument, using the anecdote of the organizational restructuring was mentioned by another respondent. Rather than increasing the responsibility at lower level of the organizations he said that *"the organizational change has actually meant a more narrow focus for employees at lower levels of the organization and I'm not sure that was the goal with the change"*.

### 4.2.2   Operational level

Concerning the importance of ambidexterity, the data from the interviews at the operational level show little consistency. Half of the respondents agreed to that the concept of organizational ambidexterity is important, arguing for its importance in the company's development. Several of those simply noted the importance of it.  Part of the respondents who stated that the issue was not of major importance noted that it didn't concern them personally. Others clearly made the distinction between those activities that was of primary focus and those who were not, the latter

being exploitative activities. An example of the latter is one respondent given his view on the importance of exploitative activities saying that *"for the company I'm sure it is important, but not for me personally"*. Rather, by those who didn't see it as something that concerned them it was argued to be *"something which is out of my area of focus"*. Or as another respondent explained, "There *are other people who are much better than me regarding those things*". Continuing, the respondent added that *"when I have time I try to help out with whatever needs to be done at the time but that very seldom concerns those kinds of tasks",* referring to activities of explorative character.

In describing the underlying reason for seeing explorative activates as less of a concern, two different reasons were put forward by the different respondents: signaling effect and role description. Concerning signaling effect, one respondent argued that *"the kind of measures the company uses to evaluate our work will influence what kind of activities time is spent time on"*. As an example of this the company's monthly sales goal was mentioned. Another respondent who also emphasized the monthly sales goal said that, *"it is highlighted at the end of each month and always celebrated with the company treating us to a cake if it is met".* Continuing he explained that *"as a result, of course, during the last days of the month we're all focused on beating that particular sales figure".*

The other opinion stated by those who did not see their role in trying to balance between the two organizational demands has to do with role description, one respondent saying that, *"We have certain task we need to do on a daily basis and that's what we do".* Further, arguing that "*there are others that are supposed to work with those issues, it's not primary part of our work description"*.

Those of the respondents who acknowledged the importance of ambidexterity also recognized their role in contributing to making it work. Statements such as "*Everyone has a responsibility for contributing to the company and needs to think about what their role in doing it is", one respondent explained."* It was further suggested it not only be a priority for those individuals holding higher organizational positions but also for those at the operational level. Actually, one respondent argued that those working at the lower levels of the company often get to sense customer needs before those at higher positions do. As an example, the customer contact that employees working at customer service has was mentioned.

The reasons behind the lack of commitment to certain type of activities presented by employees at the operational level can based on the interviews be categorized into two different aspects, motivational aspects and systematical aspects. Support for the former reason can be found in statements such as *"why would I spend time and energy on things that I get nothing back from?"* or *"I don't see the point in having to do more without getting compensation for it"*, as another respondent explained. Some respondents mentioned monetary based incentives for motivation whilst others argued from a more general point of view arguing that even more encouragement and recognition would be reasons enough for such improvements, which was missing today.

Of the more systematical aspects several staff members felt that suitable forums and ways of putting forward new initiatives and ideas are missing. Today the company has the Annual operating plan (AOP) which is addressed during evaluation talks with their responsible manager once a year, but these forums are not enough one respondent reasoned. An example of such an argument can be found in the statement saying that, "*a different way of follow up ideas and suggestions is needed".* Acknowledging the potential limitations in regards to its applicability and practical handiness, it was argued that no matter what kind of system is set up it need to come as an initiative from the people who will use it, not as the present ones coming from the top. This was pointed out by several respondents, one of them adding that *"most of the measures meant to address improvement initiatives and encourage such behavior come from the managers"*, which according to her, was put forward being a limitation. Or, as explained by another respondent, " *good ideas doesn't come once a year it's not like I write down things I come up with and save it for a year until the next AOP meeting"*.  Instead, solutions to the problem were presented by different employees where a few of the examples were an *idea-box* and a weekly or every other week informal lunch meetings to address potential improvements.

## 4.3   Evidence of research question 2

In this section an account will be given of the evidence of realizing organizational ambidexterity in the form of anecdotes and examples that were presented by the respondents during the interviews.

In structuring the data it will be categorized, and thus, presented based on reoccurring themes concerning the attitudes and beliefs of how to realize ambidexterity that was presented during the interviews. The four identified themes are *flexibility*, *responsibility*, *coordination* and *cooperation*.

### 4.3.1 Flexibility

During the interviews flexibility was frequently mentioned by the respondents. One example of this is regarding the need for being able to deal with issues and questions across functions on short notice. One respondent argued along the same lines explaining that without a great deal of flexibility "*we would only have a lot of meetings to coordinate between different people*". Continuing, she explained that having separate business units or even scheduled time for a particular kind of activity would just not be possible at Aerfast. Also arguing in favor of the need of flexibility using a similar argument another respondent stated that *"having to sit down in a meeting and discuss something every time something needs to be clarified just wouldn't work"*. Continuing, she explained that, *"our company is too small and the way things work around here just wouldn't allow for that, why we need to be able to make decisions fast whenever it's needed"*.

The motivation behind the previous opinion was argued by several respondents, one of them saying it has to do with *"becoming less vulnerable to people leaving the company and absence from work due to illness."* This argument was clarified by another respondent explained that Aerfast is too small of a company to be able to handle employees taking a particular knowledge or competence with them. Therefore, it was suggested that there is a need for becoming less dependent on particular individuals.

However, the warehouse has gone in the opposite direction. In their case a restructure was done in February 2011 when the workforce was divided up into incoming and outgoing goods, as opposed to having everyone on a rotation schedule. The decision was motivated by calling upon specialization increasing efficiency, increasing the individuals' responsibility and clarifying roles according to a respondent involved in the decision. One respondent stated that *"it's been very successful but then again, those guys have worked there for a long time and know their way around no matter if they are on the outgoing or the incoming side".* Here, it was in addition suggested that the potential vulnerability coming from specialized roles was not a problem.

4.3.2   **Responsibility**

During the interviews a majority of the respondents made remarks concerning responsibility and its implications for the company. Several respondents stated that it is up to each and every one at the company to make sure that time is adequately allocated to different types of activities. Quoting one of the respondents*," it's up to the individual to decide what's important to do at the time*." Continuing he argued that, "*telling people on that kind of detailed level is nothing that we can or should do, it's not our responsibility".* Presenting a similar a*rgument a*nother respondent stated that, *"we are confident our staff members are completely capable of deciding themselves when and what to do."* Using an example, the same respondent described the process of a new product launch. When the decision is taken to go for a new product the issue leaves my table, he explained. From that moment on it's up to my team to make sure it will happen. Of course, he argued, I do follow up and make sure everything is going according to plans while continuing saying *that "the point is not that I know that the people in my team can handle such responsibility, rather, it should be seen as an example of the mentality we depend on in this company."*

According to many respondents, employees at Aerfast put a great deal of commitment in to *"getting things done",* as one respondent put it. Particularly, a great focus was put on the fact that it's important to finish those work tasks that you are supposed to have finished before you leave for the day.  Actually, to the extent possible, the interviews reveal that almost a too great focus is put on exploitative activities. One respondent argued *that "we're here to do a job and that's what we do"* while another explained that whatever's part of one's work description around here gets done.

Among the respondents who acknowledge their own responsibility in making sure things gets done the reason for it seems to be related to pride. Citing one of the respondents, *"it's my responsibility and no one else's to make sure I do a good job".* Another respondent presented a similar opinion but also added that, *"given the responsibility to be able to decide for myself when to do what, is something I value a lot working at here".* Confirming the same point, yet another respondent argued that you grow with responsibility and thus it is important for the company to keep giving people more responsibility.  Though a majority of the respondents presented a positive attitude in given a responsibility in deciding over their own agenda, others suggested the

opposite. Though not a statement coming direct from the concerned employee, one respondent contrasted her perceived difference in attitude towards the responsibility within the company by saying that, *"some others tend not to agree with how we define what is part of our jobs"*.

Using the example of the decision to as of January 1st this year, empower the management team at the head quarter even more by limiting the Secretary General's visits to Sweden, the attitudes toward the management has changed for the better. On this matter one respondent stated that "*another hierarchical level doesn't contribute with anything as long as we can be confident that our staff members can handle such a situation".* Explaining the practical consequence of the decision another respondent described it in terms of more responsibility first, for the managers that form the management group and second, for the rest of the staff members. Also, as stated by one of the respondent during the interviews, *"with responsibility comes an increased pressure for delivering upon what's expected of you".* Examples of statements supporting this can be found in one respondent argued that not only himself, but everyone at the company had been affected by the initiative by saying that *"I know that everyone at the company feels more pressured now".*

Another example referring to the decentralization initiative implemented at the beginning of the year can be found in that a majority of the respondents, if not all of them, either explicitly or implicitly made remarks regarding how well they perceived the new management of the company. Respondents argued that the change had facilitated for improved availability as well as transparency in decision making processes. Others, on a more concrete level argued that since the initiative was carried through the level of cooperation have increased. Continuing, it was explained that it had had the effect of a closer collaboration between different functions. Or, as one respondent put it, *"I believe it has enabled us to move faster from a to b."*

### 4.3.3  **Coordination**

In times of hectic periods, when tight deadlines need to be met on short notice, the coordination mechanism across individuals and even departments is crucial, one respondent explained. Along the same lines it was argued that, *"it only takes one person who is not synchronized with everybody else's' agenda for the chain to break."* Another respondent described the dilemma in using the following words. *"With one person involved in a certain task that stretches across several functions, prioritizing differently than the others or perhaps defining his role in the project*

*differently it will fail."* Or, as the same respondent argued, "*a chain is never stronger than its weakest link.* "

In regards to the issue of coordination across different functions, other opinions were raised for the opposite.  To make sure that certain information or even work tasks gets done more specialized role descriptions and division of work tasks needs to become reality, it was argued. This would let the company continue growing while at the same time secure the quality of the internal processes and routines.

Apart from those who acknowledged a weakness in coordinating projects across different functions, others argued for the limitations in making sure delegated tasks were actually done. Having little or limited control mechanisms build into the company, according to one respondents, poses challenges in terms of controlling for behavior that the company as a whole do not benefit from. This view was exemplified with the case of a new routine that had been discussed informally among colleagues and then unofficially delegated to one employee to implement. Later on, when one of the involved persons reflected upon not hearing anything about the matter became apparent that it had later been rejected by the person responsible for implementing it with the motivation that it was not considered to add value anymore. According to the respondent, the decision to not implement is has nothing to do with adding value or not but rather about time. He argues that that it for sure would benefit the company, enhancing the efficiency in a particular routine, but, *"would require a lot of time and effort implementing and thus it had been neglected by the staff member responsible for doing it."*

### 4.3.4  **Cooperation**

The great majority of the respondents did throughout the interviews emphasize the cooperative environment and how important that is for Aerfast. Not only that, it is considered to be something that the employees perceive to be a particular strength at Aerfast, as one of the respondents stated. Several of the interviewed argued that the company is particularly fast at responding to various demands and challenges that arises. One example can be found in one of the respondent saying that "*everything is special around here*", referring to the many informal routines and procedures that the daily work is concerned with. Another respondent explained that, *"our customers expect us to meet their exact demands concerning delivery times, preferred logistics*

*partner etc.".* This can, according to a number of employees, be contributed to the presence of the cooperative environment.

To a greater extent than previously, distancing the top manager of the company (Secretary General) from the head quarter has sent signals of decentralization and empowerment. Confirmed by several respondents it has had an effect, one of the respondent explained continuing his point saying that , "*it increases and puts more pressure on all of us working at the head quarter to make sure we take responsibility of our work and see to the company's best".*

In addition to the stated cooperative environment several respondents mentioned that there are structural elements hindering it. Information sharing and evaluation measures, one respondent argued*, "could definitely improve"* and was further regarded as something that often became issues. Not being able to get information when it is needed was one common argument stated. Another, that the company did not commit enough time and resources to evaluation of projects and for example specific product launches. As a consequence, it was argued that, *"people start blaming each other when it might not be anyone's fault".*

Besides the voices raised concerning improved decision making processes a greater flexibility were highlighted. In particular, the benefit coming from the increased interaction and informal meetings among the managers in the management group was said to have "*tremendously improved the atmosphere at the head quarter",* according to a respondent*.* Also, a number of respondents noted that it had had implications for the prior suspiciousness among the employees towards top management. Instead, now, it was argued to have had a diminishing effect on suspiciousness regarding top management's ability to communicate their understanding of the business and its employees' situation since the management group now was situated at the head quarter.

# 5  Analysis

Having presented the empirical data and preliminary analysis I will in this chapter examine and analyze the material with the objective of answering my proposed research questions.

I will start analyzing my findings in regards to research question 1 by comparing the two hierarchal levels. Continuing, I will analyze my findings related to research question 2 categorized using the four identified options as how to realize organizational ambidexterity identified in my theoretical framework of reference.

## 5.1  Analysis of research question 1

Research on organizational ambidexterity argues that for a company to be successful, it needs to be aligned and efficient in today's management of the business while at the same time adaptive to changes in the environment (Gibson & Birkinshaw, 2004). Examining the collected data from the interviews a somewhat contradicting pattern becomes clear.

At the management level there is a unanimous belief that the concept of ambidexterity is of outmost importance for the company.  The underlying practical components, combining routine activities with those concerned with improvement and development, are widely recognized among the employees. However, the same unanimous recognition cannot be found at the operational level. Here, some respondents see the importance of it but not their own role in achieving it. Others state they do acknowledge the importance of it and the need for everyone to commit to making it happen, at the same time.

Comparing the data from the operational level with the one from the management level another interesting fact is noticed. At the management level they recognize the importance of ambidexterity and are well aware of the implications for any company, less Aerfast, not having it. In addition, the fact that they also seem clear of their own organizations' lack of it is somewhat disturbing. As was stated during the interviews with respondents at the management level, the degree to which employees of the company actually committed to not only doing their daily routine work tasks varied across the organization.

Thus, evidence from the interviews at Aerfast indicates a discrepancy in regards to how organizational ambidexterity is perceived. While theory doesn't explicitly state the particular required commitment from the company as a whole to be able to become ambidextrous, it is clear that the picture presented at Aerfast is not optimal.

Studies have lately confirmed the linkage between organizational ambidexterity and a positive effect on performance. However, based on the weak coherence found in the perceived need and importance of organizational ambidexterity from the interviews and comparing it with the implications, it ought to have, according to theory, few explanations can be found.

Examining the company's financials the situation becomes somewhat contradictive. For a company to be able to handle the complex balancing act of both being able to commit to exploitative and explorative activities, being well aligned and yet at the same time adaptive in their business, is not easy. This suggests that evidence of the identified inconsistency in regards to recognizing the importance of organizational ambidexterity, as well as commitment to it, should be reflected in firm performance. However, without taking comparable peers into account while at the same time neglecting aspects of success such as the owners return on investment, defining Aerfast as a company being unsuccessful would be taking it a step too far.

The management levels' assertions that the degree to which employees see the importance of both exploitative and explorative activities differ, is verified. Beneath the surface of the attitudes presented by respondents at the operational level different reasons are brought up. Among those who don't see their role in contributing to the organizations effort at becoming more ambidextrous, incentives seem to be one of the issues. Various employees' at the operational level state that the incentives, or actually the lack of them, are part of the problem. However, even though there seems to be a common attitude towards the fact that being an employee at any company involves some kind of responsibility of trying to the extent possible to improve, more is apparently needed. Consequently, in the absence of explicit reward systems, Aerfast seems not to have been able to take advantage of the full potential of their employees and thus the company.

The second reason behind the lack of focus on both underlying factors of organizational ambidexterity concerns the structural mechanisms for it to be a practicable achievable  for the

employees. Just as clear as it is to employees at the operational level this is lacking in today's company, it is clear that the company's managers do not agree what the root of the problem is.

Among the respondents at the management level several can be said to have successfully identified the link between how the company could become more successful and the particular matter of not neglecting explorative activities. Thus, if the linkage between the objective of being ambidextrous and why that is not the fact today has been identified, why have no solution to the problem been proposed by the company? Before answering any of the questions a closer examination of the insinuated reasons behind the problem should be done.

At the management level, three different reasons can be identified as to why a solution has not yet been implemented; lack of encouragement, insufficient organizational structural mechanisms and mentality of particular individuals. What the first two alternatives have in common is their feasibility in changing them. One of the managers reflected upon the fact that they probably could do more in terms of recognizing new initiatives and encouraging such behavior with the intention of improving the exploration related activities among their employees. Even though it's not done or fixed in a day or two it is definitely possible to achieve. The same goes for the proposed lack of organizational structures for indirect encouraging new ideas and intentions. Actually, several suggestions were mentioned by different employees, such as an idea-box, to come about the problem.

However, concerning the reason that has to do with mentality, the situation is a bit different. Being a rather small company with limited resource as to adding or replacing staff members no quick fix can be identified, recognized by respondents at the management level. The particular mentality at the office which is a result of several of the staff members working together for many years is hard to change. Having not said it impossible, it was stated during interviews that some *people just are that way*, implying that changing the behavior and mentality of particular individuals might not be something that should or even could be done.

The question of why no solution has been proposed to dealing with the lack of organizational ambidexterity in the organization the solution, might be more intuitive than it first appeared. The fact that the underlying the problem in getting everyone in the company onboard in committing to

the company's objective can be traced back to particular individuals puts the issue in a different light. Maybe these employees' attitudes towards work in general are what constitute the issue? Well, not if you ask the employees at the operational level themselves.

Close to all of the respondents at the management level referred to or touched upon the underlying problem being of *mentality* character. As easy as it is to always is blame someone else when something is not right it is easy to count the numbers of ideas presented by the respondents at the management level on how to address the problem. Instead, it seems to be evident that the recently implemented re-structure of the organization actually added to it. Evident from the interviews with employees at the operational level is that answers referring to mentality or arguments that could be traced back to any being a result of the argued for mentality by respondents at the management level is lacking.

Instead, on the operational level two categorized types of arguments were found and presented in the preliminary analysis, one dealing with clarification of role descriptions and the other with employees focus areas. However, not only arguments concerning the cause of the problem was mentioned, but also potential solutions was suggested such a simple idea-box. If the suggested solution of an idea-box, as presented by several respondents were to solve the matter then, argued along the lines of reward from a financial aspect, the idea-box initiative most certainly would be worth investing in. This tends to suggest that the mare problem comes down to a lack of communication. Consequently, what was presented as an almost an inherent mentality problem, partly contributed to the nature of the company's size, seem to both have an explanation as well as at least a potential solution.

## 5.2   Analysis of research question 2

### 5.2.1   Structural solutions

#### 5.2.1.1   *Spatial separation*

The spatial separation is the most extreme option proposed in theory as how to realize organizational ambidexterity. It is achieved by *"developing structural mechanisms to cope with the competing demands faced by the organization for alignment and adaptability"* (Birkinshaw &

Gibson, 2004). The benefit of a spatial solution can be found in the clear objectives and increased productivity from specialization while flexibility is the obvious downside. Evidence found in the data from Aerfast suggests that such a solution has little support at the company. At several occasions the need for flexibility was stated using different examples. In addition, statements directly addressing the issue was found saying that such a solution is applicable to the Aerfast due to its rigidness.

However, as flexibility is one of the obvious trade-offs in committing to a structural solution in realizing organizational ambidexterity the fact that the warehouse was used as an example of such a solution suggests something different. The circumstance of the involved employees having worked at the company for a long time was argued to be an important factor in the decision. The down side of lost flexibility and dependence on particular individual, as in other cases was brought up, was not a matter in this case. Even though this is one example of a structural solution that the employees did recognize as having been good for the company, similar examples are cannot be found.

A factor frequently mentioned during interviews was coordination and the, to a noticeable extent, alleged lack of it at Aerfast. As to the perceived fit with spatial separation it rather contributes with the opposite by separating functional expertize from one another. Interesting is that while on the one hand, flexibility was argued to be of great importance for the company but on the other, coordination could be considered to be at odd ends with flexibility. It was a common opinion that there had been problems in the coordination of projects stretching across functions and departments, while at the same time, others argued for the inconvenience of having too much formal meetings and only taking up time. Consequently, there seem to be different opinions as to what extent reinforcing coordination mechanisms, such as formality to improve cooperation across projects, would be to prefer on the behalf of flexibility.

In addition to the argued for importance of cooperation there were also voices raised concerning issues related to information sharing among functions. It was suggested that it could definitely improve for the better, something that can be found little evidence in favor of in using the option of spatial separation. Rather, the option of spatial separation suggests those barriers for information sharing would increase.

5.2.1.2  ***Parallel structures***

The use of parallel structures is the second proposed option for achieving organizational ambidexterity. As opposed to spatial separation it deals with the paradox of balancing between exploitative and explorative activities on a business unit level, empowering the employees with the responsibility to choose how to allocate time between different activities themselves.

Aerfast is a company with an organizational design divided up in different function, thus, tasks and issues involving several different functions are dealt with via the use of cross functional projects. These projects can vary extensively to the degree that they are formalized but practically all of them rest on the same underlying assumption for working efficiently, namely employees responsible to make it work. During the interviews the statement concerning the role and presence of a great responsibility among the employees in the organization was frequent. This clearly supports how the use of parallel structures is presented in theory.

However, the interviews show that the individual responsibility is often limited to doing what is concerned with exploitative activities. While it is a common argument that responsibility in itself is considered to be a prerequisite for the successful use of parallel structures, leaving it to only include exploitative activities is not. Thus, challenging the nature of parallel structure, being able to commit to both doing exploitative and explorative types of activities, the evidence from the interviews indicates a systematic flaw as in many cases employees are not addressing explorative activities properly.

Individual responsibility was in interviews frequently portrayed as the mechanism for making sure that not only daily routines but also activities related to development and improvement gets done. However, few clear suggestions on how that particular responsibility was encouraged or worked with was described, leaving plenty of room for explanations as to why evidence points in the direction of it not working optimally.

The example of the re-structuring of the organization seems to pose an explanation. Several interviewees argue that at the company a great deal of trust can be found in letting people take charge of their own agenda. What is argued for is concerned with a great deal of individual freedom, but indirect what seems to be argued for is a great deal trust in the *system*. As stated by

one of the employee, *a chain is never stronger than its weakest link* and thus the system becomes dependent on a high level of cooperation for it to not break down. A great deal of cooperation can also be found in how the parallel structures explains the control mechanisms as a prerequisite for the use of such an alternative for realizing organizational ambidexterity.

Supporting how parallel structure is used as an option for realizing organizational ambidexterity is the stated necessity of flexibility. Parallel structures lets each employee choose how to divide her time between her daily routine tasks and ad-hoc exploratory tasks, often in the form of projects. This particular way of working both requires as well as depends on individual flexibility, which both found evidence for during the interviews.

### 5.2.2 **Contextual solutions**

An alternative to the structural solutions is the contextual solutions that propose yet an option of how to realize organizational ambidexterity. To be able to address the balance between exploitative and explorative organizational demands the decision making and authority is pushed downwards in the organization. Each individual is thus empowered with the responsibility to decide for themself how to simultaneously combine the two different aspects of ambidexterity.

The contextual solution realizing organizational ambidexterity rests upon the assumption of having employees feeling a great deal of responsibility towards their work for it to work. From the interviews it is clear that the majority of the respondents acknowledge the responsibility among the employees at the company, though skewed towards entailing a greater focus on exploitative activities than explorative activities.

Different from the structural solutions, the contextual solution implies that even structures such as ones in the form of projects are costly in terms of efficiency. Here evidence from the interviews point in a different direction. The interviews show that there is a perceived lack of sufficient control mechanism associated already with today's functional organizational design. Projects across functions tend to require some formality in procedures which was argued to be lacking as flexibility had been prioritized.

Also supporting the perceived lack of formality in routines and procedures are arguments related to the company's growth. Commonly described were situations where informal decision making,

implicit routines and processes needs to be updated with more formality and explicit ones as a result of the company have gotten too big for such routines to work. Thus, pointing in the opposite direction of a contextual solution.

However, using the model proposed by Gibson and Birkinshaw (2004) for evaluating the presence of a contextual solution to realize ambidexterity, the interview data show considerable support. Consistent with the data suggesting the importance for the company to be flexible and quick to respond to customer demands the two soft sub-elements, *support* and *trust*, can be identified in the interviews. Also the hard sub-element of *discipline* can be found support in favor of from the interview material, though not linked to the same reason as the prior elements. Always committing to doing what you are supposed to do, was argued to be present in the company by several of the interviewees. In contradiction, little evidence can be found supporting the presence of *stretch*. Trying to go to the root cause of it, a further analysis of the company's recent organizational restructuring needs to be done.

Having restructured their organization at the beginning of the year Aerfast have introduced a new top management level, the management group, as well as clarified several of the organizational roles. On a company level, a further decentralization adding to the already decentralized organization can be argued to have occurred. For many of the employees though, the opposite can be said. In clarifying the role description of a number of positions at the operating level there is evidence that suggests such an initiative have improved the cooperation at the company but also had                               implications                          not                          foreseen.

Respondents described the restructure as having even further distanced employees at the operational level of the company from higher levels. The reason for this seems to be more clarified role description and as a consequence, employees at lower level of the organization leaving the responsibility of focusing on more ad-hoc activities to their superior positions. Even though there are somewhat contradicting evidence, as others state their responsibility has increased since the re-organization, it indicate there the initiative have had implications on the level of support for the element of *stretch* in the company.

### 5.2.3 **Leadership-based solutions**

The final option for realizing organizational ambidexterity is the leadership-based solution. Acknowledging the organizational status and hierarchical position research argues that top-management can facilitate for an organization becoming ambidextrous by coordinating internal activities. If the benefits of structural solutions and contextual solutions can be measured in how effective resources are used to achieve ambidexterity the leadership-based solution proposes a similar solution, but focuses the responsibility of achieving it to the top management

To a great extent contributed to the company's recent decentralization little evidence can be found supporting a leadership-based solution. The data from the interviews particularly addressed the need for organizational flexibility and responsiveness which is not primary associated with a leadership-based solution. Opposite, it leaves less room for organizational focuses such as flexibility as responsibility for balancing the two organizational demands is concerned with the top-management of the company.

Also, during the interviews coordination was put forward as an organizational liability. The leadership-based solution cannot be said to address this, rather, it contributes to it as more responsibility for facilitating for organizational ambidexterity is given to higher organizational levels. As a result, little evidence can be found relating the need for coordination to the leadership-based solution.

However, some evidence can be found supporting the management's behavior integration (Lubatkin et al., 2006). The new management groups' impact was mentioned at various occasions as having had a positive impact on the atmosphere at the company, and as a result, the cooperative environment of the company.

# 6   Conclusion

The purpose of my study is to contribute to the present research field of organizational ambidexterity by adding practical insights on the topic. As a starting point, I conducted a literature study covering the research field of organizational ambidexterity. The result of the study shows that the research field in itself is fairly new and in need of further research on a broad level. While the literature study served the purpose of presenting me with an extensive literature base, it also lead me to identify interesting patters in the present research done on organizational ambidexterity.

Concluding from my literature study I identified first, a lack of research on how organizational ambidexterity is perceived within the business community and second, an explicitly stated need for more research on the somewhat contradicting research streams contributing to options for realizing organizational ambidexterity. As a consequence, two research questions were proposed with the objective of bridging the identified gap in present research. The two question are, *Do attitudes and beliefs in regards to organizational ambidexterity vary within the organization, and if they do, how and why?*, *What are the attitudes and beliefs in regards to realizing organizational ambidexterity?,* addressing the two identified research gaps respectively .

In answering my proposed research questions a qualitative interview study was conducted of which below I will account for the conclusion that can be drawn from the data collected. My first research question concerns attitudes and beliefs in regards to organizational ambidexterity and was formulated in the following way:

- *Do attitudes and beliefs in regards to organizational ambidexterity vary within the organization, and if they do, how and why?*

Examining the material collected from the interviews it can be concluded that it reveals several interesting findings. To begin with, on a broad level, it can be said that evidence point to that little consistency can be found in comparing the data from the two identified hierarchal levels. Deviations in answers can also be identified within each identified hierarchal level respectively.

Comparing the data from the two hierarchal levels there is strong evidence supporting a distinct difference in the perceived importance of the concept of organizational ambidexterity. While almost unanimously recognizing the importance of organizational ambidexterity at the management level, the operational level tends to suggest the opposite. Here, only half of the respondents to a full extent acknowledged the importance of the concept. Conclusions can thus be drawn that there are distinct differences as to how the concept of organizational ambidexterity is perceived.

Also, while evidence shows that the majority of the respondents at the management level are aware of the perceived lack of organizational ambidexterity at the company, not much seems to be done to deal with it. Examining the reasons behind this, data from the interviews with respondents at the management level can be categorized into three reasons: encouragement, structural mechanisms and mentality, all of them perceived to prevent the company taking advantage of its potential. While the former two reasons were argued to be fairly easily dealt with the latter reason, mentality, is harder to get to. Drawing upon mentality, respondents at the management level suggested that some people just don't change, surprisingly, even though it's hard to evaluate, it can be concluded that little if any evidence of such a mentality could be identified at the operational level.

The operational level presented two reasons for the perceived lack of organizational ambidexterity at the company: structural mechanisms and incentives. Of particular interest is that structural mechanisms was thus mentioned and acknowledged by both hierarchal levels, with concrete suggestions coming from the operational level on how to improve it. As a result, this clearly indicates a lack of communication in the organization even though no such references were made specifically in regards to this fact. The lack of communication can thus be said to act as a barrier, hindering vital information of being shared within the company, resulting in a situation where important factors for realizing organizational ambidexterity such as organizational transparency are neglected.

The inconsistency in how organizational ambidexterity is perceived within the organization also implies that theory falls short in explaining the evidence. The inconsistency as to first, the degree of even acknowledging the importance of organizational ambidexterity and second, the extent

respondents belonging to different hierarchal levels actually admitted they themselves committing to both exploitative and explorative activities supports this. The evident inconsistency tends to suggest that a low level of organizational ambidexterity can be argued to exist at the company, taking into account the natural complexity of realizing it. Theory doesn't specify the extent to which an organization needs to be aligned in terms of either acknowledging or recognizing the importance of being ambidextrous. However, even having in mind the somewhat speculative argument, I believe it is fair to say that theory on organizational ambidexterity comes short in explaining the recent performance of the company with reference to finding from my study.

The second question concerns attitudes and beliefs in regards to realizing organizational Ambidexterity and is formulated in the following way:

- *What are the attitudes and beliefs in regards to realizing organizational ambidexterity?*

The data regarding my second question indicate there are several interesting findings. Almost unanimously the interviewees mentioned flexibility as a key factor together with individual responsibility in realizing organizational ambidexterity. Not far behind, cooperation and coordination could be found strong support in favor of.

Based on the identified options on how to realize organizational ambidexterity my findings enables me to make a distinction between those option for realizing organizational ambidexterity found a great deal of support in favor of, parallel structures and contextual solutions, and those who considerably less evidence was found in favor of, separation and leadership-based solutions. Regarding the two former options, particularly the emphasis on responsibility and flexibility can be contributed to them. Of those options that there were found profound evidence in favor of particularly parallel structures stands out. Flexibility was found in switching between functional and project based work tasks, responsibility in making sure that what's on individuals' agendas eventually will get done, cooperation in relation to handling projects often based on informality and implicit understanding of processes as well as coordinating them. The other option found evidence in favor of is contextual solution. Here, similar evidence can be said to have been found as for parallel structures, while the need for formality, as was expressed during the interviews is

what distinguishes it from the parallel structure. The contextual solution assumes a total responsibility of deciding when and what to do, which, considering the presented evidence saying coordination is of importance, making it less favorable alternative. Thus, the conclusions point to that there are evidence found that all fits very well with how parallel structures is described as an option for realizing organizational ambidexterity.

Concerning the options of spatial separation and leadership-based solutions either non-existing or strongly contradictive evidence from the interviews was found. Spatial separation was the option found least evidence in favor of. In describing spatial separation as theory defines it, flexibility is the obvious limitation as business units or functions are split up and separated with the objective being specialization, as a result, individual responsibility decreases as well as the ability to cooperate and coordinate. All of these implications were confirmed in the data from the interviews, implying that the characteristics of spatial separation were found little evidence in favor of.

### 6.1.1   **Managerial implications**

I believe that the nature of my study have not only contributed to the research field of organizational ambidexterity, but also to the business community. As most other theories related to either firm performance or competitive advantage, organizational ambidexterity offers a very conceptual solution to the dilemma of balancing between opposing organizational demands. Thus, by translating theory into practice, my intention with the study is to bridge that gap.

On an even more practical level I believe my findings serves several purposes and can be said to first, decipher the conceptual complexity of ambidexterity and break it down into an applicable practical solution. By relating common problems found in most organizations, such as flexibility and coordination, to key part of the concept of organizational ambidexterity I believe it will facilitate for a deeper understanding as well as applicability of the concept in practice.

Second, my study can be used as an example of how address common problems that can be found in organizations, but particularly, identifying the root cause of it. Information sharing, cooperation and individual responsibility are most probably common issues that can be found in most organizations. As standalone issues they may be difficult to address as well as observing their

causal relationship. However, under a common denominator this might be easier. Organizational ambidexterity therefore offers a platform, a joint perspective, incorporating and relating several of these issues to each other and can consequently be used as a tool for addressing such issues.

### 6.1.2 **Limitations of the research**

In my study I have chosen the research design of a single case study which as in most cases has a limited generalizability. Further it is important to notice that the empirical study was conducted at one company, present in one particular industry in Sweden. Consequently this will limit the ability for my findings to be adopted and applied on other companies.

Another limitation in regards to the empirical study concerns the fact that data was primary collected via interviews. This data collection method potentially leaves room for various kinds of misinterpretations, both concerning the interviewee as well as for the interviewer. Thus, I do recognize the limitations to the extent possible in not fully unbiased being able to interpret the information that was given to me during the interviews. Yet, I believe that in choosing questions being of semi-structures character, leaving room for asking for examples and clarifications it has tremendously improved the quality of the information I have been given.

Further, the fact that my research questions concerns attitudes and beliefs do have an impact on the quality of the research. As I have collected data from the interviews and then tried to interpret, understand and put various opinions raised by the different respondent into perspective there have most certainly been times when things could have been done in a different way.

Finally, a critical decision that I made was to give all interviewed respondents full anonymity. This could be interpreted as a limitation of my study however; the decision was taken into response to the nature of my research questions and the size of the targeted company. Thus, the decision was made with primary objective of improving the honesty and extent to which the respondents felt they could share information.

However, having said that, I believe that my study have been conducted in such a way that it, as intended, provides a deepened and extended understanding of how organizational ambidexterity is perceived within the business community.

6.1.3    **Suggestions for further research**

The research field of organizational ambidexterity is fairly new and thus there are a number of potential studies that the research field would benefit from if conducted. Based on my study an obvious suggestion is to further explore my chosen focus of how the concept of organizational ambidexterity is perceived within the industry. Consequently, one such example would entail widening the research scope to include several companies in a multi-case study. Another suggestion is to focus on one larger company and conduct a similar study as I have done but on the company's various business units. Finally, yet another interesting alternative is to do a quantitative study on a large sample to be able to draw more generalizable conclusions.

Further, on behalf of my literature study, research on the options of realizing organizational ambidexterity would be of great benefit for research field. Here, a few examples of such topics would be to look into the interrelatedness of the proposed options that can be identified today from a theoretical point of view. Another, to conduct a qualitative study examining under which boundary conditions particular options for realizing organizational ambidexterity is more suitable

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**Electronic resources**

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## Appendix 1. Interview guide

Questions.

- Is innovation important for Aerfast? Explain!
    - o If yes, how? Explain!
    - o If no, what is the implications of not working with innovation
- Do you work with innovation at Aerfast?
    - o If yes, How do you work with innovation? Examples?
    - o If no, why? How come?
- How do you personally work with innovation? Examples?
    - ▪ Different ways depending on context? Explain!
    - ▪ Why or why not?
- Who is responsible for making sure it's done? Explain!
    - ▪ Why is that?
    - ▪ How do you see that`?
    - ▪ Could it be done differently?
        - • If yes, how?
        - • If no, why?
- Is efficiency important for Aerfast? Explain!
    - o If yes, how? Explain!

- o   If no, what is the implications of not working with efficiency

- Do you work with efficiency at Aerfast?

  - o   If yes, how do you work with efficiency? Examples?

  - o   If no, why? How come?

- How do you personally work with efficiency? Examples?

  - ▪   Different ways depending on context? Explain!

  - ▪   Why or why not?

- Who is responsible for making sure it's done? Explain!

  - ▪   Why is that? Explain!

  - ▪   How do you see that`?

  - ▪   Could it be done differently?

    - •   If yes, how? Examples?

    - •   If no, why? Explain!

- Do innovation and efficiency have to be addressed simultaneously? Explain!

  - o   If yes, why? Examples?

  - o   If no, how come? Why is that?

  - o   How do you see this?

  - o   What are the critical areas you would identify? Examples?

    - ▪   What are the prerequisite for it to work? Examples!

    - ▪   Why do you think that is?

- Are there any trade-offs? Explain!

  - ▪   Why or why not? Examples?

  - ▪   How come? Examples?

## Appendix 2. List of Figures and Tables