Examining the Antecedents of Organizational Ambidexterity from the Perspective of Structure and Context

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Abstract. Existing research has uncovered the question of how to realize organizational ambidexterity from the perspective of structure and context. Structural ambidexterity refers to dividing the organization system into multiple subsystems, each subsystem implements specific exploration and exploitation activities according to the external environment needs. The context perspective holds that achieving organizational ambidexterity depends on creating such a high performance context within the firm as discipline, stretch, support, and trust.

Introduction

The research on the influence factors of organizational ambidexterity can be divided into two aspects. On the one hand, the scholars mainly answer the question of how to realize the ambidexterity through creating a separated structure. On the other hand, the scholars mainly answer the question of how to realize the ambidexterity through creating a specific context. This paper integrates existing research on these two aspects of research, and create an integrated theoretical framework, which may lay a solid foundation for future research.

Structural Ambidexterity

Although the idea of structural ambidexterity was originally proposed by Duncan [1], the real concern of scholars is also attributed to Tushman and O'Reilly [2]. In essence, these scholars believe that when certain business units within the organization focus on the exploitation activities, some business units concerned about the exploration activities, then companies can achieve organizational ambidexterity. Structural ambidexterity refers to dividing the organization system into multiple subsystems, each subsystem implements specific exploration and exploitation activities according to the external environment needs [3]. These subsystems differ in mind, time orientation, functionality, product, or market segment. Within an ambidexterity organization, structural ambidexterity leads to a spatially separated exploration and exploitation of business units. The structural separation creates a real boundary that protects the test activity from the dominant management perception and inertness within the firm.

Jelinek and Schoonhoven [4] also referred to the concept of semi-structure, argued that the challenge of enterprise innovation is how to create a dual structure within the enterprise that supports both discipline and creativity. They argue that structural separation makes the unique processes, structures, and cultures of the exploratory business unit unaffected by the culture of the business unit. Instead, established business units are able to meet the need of the current customers and implement exploitation activities without being affected by exploratory business activities. Structured ambidexterity allows inconsistent and contradictory exploration and exploitation activities to coexist in different geographical locations, and firms can establish new development goals based on emerging or mainstream market opportunities. In this way, companies can create more flexible and autonomous mode of operation, making the enterprise more flexible in the structure to adapt to the local conflicting task environment.
However, a dual structure within an organization may also result in isolated business units being isolated or failed due to their inability to integrate the results of other business units. Therefore, the organizational ambidexterity through structural separation must be based on the organization’s overall strategic intentions, values, and structured structural linkage mechanisms to enable resource allocation and integration of results of exploration and exploitation across business units [5]. As O’Reilly and Tushman [5] put it, the problem is not just to make decision on the separation of exploration and exploitation sub-business units, but to consider how the business unit can be integrated to create value. Iansiti and Clark [6] argue that it is not the most important to generate detailed knowledge sources in different domains (e.g., operational capability in the exploration and exploitation units), using constructive knowledge to generate new capabilities to meet diverse conflicting customer needs is the most important.

Therefore, it is not enough to realize the separation of exploration and exploitation activities only in spatial position, and can’t realize both exploration and exploitation innovation at the same time. Structural ambidexterity creates a paradoxical situation in which business units focus primarily on short-term efficiency and control, which is inherently different from the long-term focus on testing and decentralized structures in the exploration business unit. When companies diverge exploration and exploitation activities, companies need to establish the integration mechanism in subsequent activities, coordination and integration in different business unit’s generated operational capacity. Therefore, in order to solve these contradictory situations, mobilizing, integrating and deploying operational capabilities at the level of exploration and exploitation business units are the necessary measures for enterprises to acquire value and realize ambidexterity.

Jansen et al. [3] argue that, while structural differentiation helps to resolve contradictory needs, organizations need to coordinate and integrate exploration and exploitation activities. Structural differentiation affects organizational ambidexterity by influencing the integration of senior management team (contingency incentives and social integration) and organizational integration (cross-functional interface and connectivity). Contingency rewards refer to the extent to which individual team members’ earnings are determined by team outcomes and are critical to an executive team that is under pressure to coordinate. Contingency rewards create an interdependent outcome within the executive team that motivates team members to focus attention and behavior on helping each other and not advocating individualistic behavior. In addition, team contingency incentives encourage executive team members to mobilize and integrate operational capabilities across differentiated business units, encouraging new integrations by applying new integration approaches. This approach reduces competition among members of different business units and facilitates negotiation and coordination. In general, dualistic organizations are able to use contingency incentives to coordinate conflicts that arise in the process of allocating resources between different units of exploration and exploitation.

Social integration is a multidimensional phenomenon that reflects the attractiveness of the team, the satisfaction of a member to other members in the team, and the social interaction of the team members [7]. Social integration of the executive team is usually accompanied by a high degree of consultation, compromise and cooperation. Members of the social integration executive team will not only work harder to identify and capture opportunities, but will also explore and exploit the operational capabilities of the units. Social integration increases co-operative problem solving and facilitates the understanding of the key roles and contradictory roles within the executive team. Social integration has sparked an important debate that allows executives to assess and redesign potential combinations of knowledge. In this sense, the social integration of senior management teams can mobilize and integrate the operational capabilities of different business units to achieve new integration of exploration and exploitation activities. The social integration of the executive team plays a mediating role between structural differentiation and ambidexterity, since social integration leads to other ways of reconciling conflicting objectives among different business units and driving new combinations of knowledge resources to generate new products and services.
Dualistic organizations may use cross-functional interfaces such as liaisons, task groups, and teams to facilitate the exploration and exploitation of business unit knowledge. Cross-functional teams and task forces bring together employees with different business expertise from differentiated business units. They go beyond the boundaries of exploratory and exploitation business units, which are composed of spatially separated business units with fundamentally different learning patterns. Those sources of knowledge that are hidden in the existing product or service in the business unit may not be effectively developed because of the lack of capacity or complementary knowledge in the exploratory business unit. The cross-functional interface enables organizations from different business units to reach a common frame of reference and build mutual understanding and agreement. In addition, the contact person is mainly responsible for resolving the differences between the exploration and exploitation of business units, thereby overcoming differences and further defining organizational objectives. The cross-functional interface provides a platform for maintaining multiple streams of innovation by disseminating operational capabilities and learning new ways to achieve ambidexterity. Thus, the cross-functional interface facilitates the generation and reorganization of knowledge sources, while maintaining the contradictory results and the integrity of the process between exploratory and exploitation units.

Connectivity refers to the overall pattern of an enterprise’s social network in terms of density, which facilitates knowledge exchange. Connectivity is essential to building shared code and languages. Connectivity provides a common understanding of the foundation, so that makes the members of the organization having differentiated experience, knowledge and background transfer and integrate new ideas. Intensive social relations within the dualistic organization can reduce the conflicts associated with objectives and implementation by maintaining the penetration of business unit boundaries. Increasing social interactions can facilitate the cooperative resolution of conflict problems, as members from differentiated exploration and exploitation business units have more opportunities to create a win-win situation. As a result, connectivity influences the ability and motivation of team members to integrate and reorganize differentiated knowledge sources to explore and exploit business units, thus playing an intermediary role in differentiation structure and ambidexterity.

Context ambidexterity

While structural ambidexterity is a viable option for large enterprises, it is a resource-consumption strategy that needs to replicate organizational functions and is therefore not an option for all firms. These constraints make it imperative for SMEs to focus their energies on exploration and exploitation activities. SMEs are more likely to achieve ambidexterity by creating a behavioral context that requires firms to integrate different activities at a lower level. In contrast to the structural ambidexterity approach, the behavioral perspective holds that achieving organizational ambidexterity depends on creating a high performance context within the firm. Based on this logic, the manager’s main task is to create an organizational situation within the enterprise that encourages employees to make decisions about how to allocate time for exploration and exploitation activities. Organizational contexts are systems, processes, and beliefs that regulate individual behavior. Organizational and structural context, organizational cultures, organizational climate is very similar. A structural context refers to the establishment of a management mechanism that promotes employee to establish corresponding behavior, but focuses on relatively systematic systems and processes, such as incentives or career management systems, rather than intangible system characteristics such as systems that motivate employee’s ability. Organizational culture refers to potential belief systems and values, rather than formal systems and processes. Organizational culture refers to the underlying values, beliefs and principles that underlie the organization’s management system and a set of management practices and behaviors. Ambience is described as an environmental characteristic that affects employee behavior. Scholars then distinguish between the organizational atmosphere and psychological atmosphere, including individual interpretation of the psychological atmosphere. Importantly, atmosphere researchers see the organizational climate as an objective high-level phenomenon. Organizational context mainly
include these, which are the integration of structural context, cultures and atmospheres, and are a high-level attribute [11].

Gibson and Birkinshaw [11] defined such high performance context as discipline, stretch, support, and trust. Discipline allows members of the organization to voluntarily reach the goals they set for themselves. Stretch is a situation in which members of the organization are encouraged to pursue more ambitious goals voluntarily. Support enables members of the organization to volunteer their help to others. Trust leads to the gradual dependence of commitment to each other among the organization members. Gibson and Birkinshaw [11] further divide these mechanisms into two behavioral framework attributes: performance management and social support. Performance management (including outreach and discipline) indicates how the organization is motivating employees to voluntarily pursue more ambitious goals and structures. Social support (including support and trust) means that employees build ambitious goals in a collaborative work environment that motivate employees to help and stand by each other. The interaction between performance management and social support creates a high-performance organizational situation, thus achieving organizational ambidexterity.

When the dual context is realized, each employee within a business unit is able to deliver value to existing customers within his or her function area, but each employee is also looking for changes in the task environment and taking action to respond to the change. This context-based solution avoids the complex coordination problems of the business subunits caused by the dual structure. Another problem to be pointed out is that while context ambidexterity is a characteristic of an organization, it is manifested in the behavior of employees. In daily work, individual employees are often faced with choices about how to spend their time, employees should be concerned about the needs of existing customers, or pay attention to those who have differentiated needs of new customers. In an adaptable or matched business team, managers typically specify the employee’s tasks, and make it clear that employees who only support adaptive or matching activities will be rewarded. However, within a context-dual business unit, the internal environment is dynamic and flexible enough to allow individual employees to decide how to spend time on adaptive or match-oriented activities, and both time and effort will be rewarded for both activities. In short, context binary systems developed at the business unit level encouraging individual employee to pursue dual behavior.

While Gibson and Birkinshaw’s [11] study suggests that organizations can enhance enterprise performance by creating carefully selected systems and processes (extensions, disciplines, support and trust), these systems and processes collectively define a context in which the situation allows both the matching and the adaptability to develop simultaneously. However, Gibson and Birkinshaw [11] only point out the general characteristics of context ambidexterity, but do not give empirical evidence on what kind of organizational system needs to be established to promote ambidexterity behavior. Patel et al. [10] further argue that companies can create a situation that is conducive to organizational ambidexterity through the establishment of high-performance human resource management systems. The promotion opportunities, job security, employee participation, information sharing, etc., provided by high-performance human resource management systems further increases the trust and support within the organization, thus creating a dual context that facilitates internal knowledge sharing.

As Kang and Snell [12] put it, context ambidexterity researchers believe that organizational ambidexterity depends primarily on the specific actions of individual employees, so that organizational ambidexterity is bound to be closely linked to human resource management activities. Similarly, Gibson and Birkinshaw [11] argue that organizational ambidexterity arises from building a business unit context that encourages individual employees to make decisions on how to allocate time for contradictory matching and adaptive needs. In other words, the pursuit of dual behavior of the organization must be flexible in the way of staff management, making the enterprise human resources with their own decisions, willing to simultaneously implement the exploration and exploitation activities.
Conclusion
Organizational ambidexterity is an important research topic in strategy management field. Existing research has uncovered the question of how to realize organizational ambidexterity from the perspective of structure and context. Structural ambidexterity refers to dividing the organization system into multiple subsystems, each subsystem implements specific exploration and exploitation activities according to the external environment needs. The context perspective holds that achieving organizational ambidexterity depends on creating a high performance context within the firm.

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