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The relationship between organisational foresight and organisational ambidexterity

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ABSTRACT

The relationship between organisational foresight and organisational ambidexterity is the focal point of this paper. Foresight is believed to be having a positive impact on triggering organisational ambidexterity, especially explorative (radical) innovation. Very little empirical research has been done so far to test the probability of this theory with higher constraint designs. This paper reports on the results of a survey involving 230 manufacturing companies in Lithuania. It confirms the importance of organisational foresight, recognising its contribution to both explorative and exploitative innovations, i.e. organisational ambidexterity. Based on a conceptual model that describes organisational foresight as a set of environmental scanning, strategic selection and integrating capabilities, this paper proposes testable measures of organisational foresight. We empirically test the model and provide evidence to the theoretical relationship between organisational foresight and organisational ambidexterity.

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1. Introduction

A re-occurring theme around a variety of organisational literatures is that successful organisations in a dynamic environment are ambidextrous – able to manage their business in an efficient way, while at the same time adapting to the emerging changes in their environment [1,2]. Innovation both responds to and drives change, thus pro-actively shaping the future. Many findings reveal a positive relationship between innovation and firm performance [3–5]. In the pursuit of innovation firms can focus on exploiting existing competencies or exploring new ones. In the context of organisational learning the distinction between exploration and exploitation has been made to describe two distinct types of innovation [6]. Exploitative innovation is essential for generating short-term results and due to the more certain outcomes it has been the

primary focus of many firms [7]. However, firms need to explore new options in order to be ready for future changes in the environment and to ensure long-term survival. Exploration is captured by the terms of search, risk taking and discovery and refers to radical innovations that are designed to meet the needs of emerging customers and markets [8]. It departs from established systems of production, and opens up new linkages to markets and users, offers new designs, and develops new channels of distribution [9]. Hence, exploration departs from existing knowledge [10]. Conversely, exploitation refers to incremental innovations that are designed to meet the needs of existing customers or markets [11]. It involves change that builds on established competence and focuses on improving established designs, introducing modifications to existing products and services, and increasing the efficiency of existing distribution channels [9].

Ability to pursue both explorative as well as exploitative innovations simultaneously is referred to as organisational ambidexterity [11]. From a resource based view this ability is considered valuable, rare and costly to imitate capability. Therefore organisational ambidexterity can be a source of competitive advantage [12]. Past research on ambidexterity

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stresses the importance of the external acquisition of new knowledge for exploration [13]. Innovation driven enterprises have to monitor their environments continuously in order to maintain competitiveness and be able to develop new promising technologies and use them to move into new business fields [14]. Rosenkopf and Nerkar [15] found empirical evidence that exploration beyond organisational boundaries had more impact than exploration within organisations. Studies show that externally acquired knowledge may contribute to the reconfiguration of existing knowledge bases [16,17]. Ambidexterity thus requires search strategies, and internal and external knowledge processes as well as their integration across organisational boundaries.

The discipline of organisational foresight is largely concerned with organisations' ability to explore and exploit opportunities beyond their immediate value network or domain of existing operations. Foresight has therefore been heralded as a strategic practice that can lead to organisational transformation and renewal [18,19]. It has been argued that the key role of foresight is to help spot emerging concepts, trends, ideas and weak signals. By discussing alternate futures, foresight can bring future insights into the present and help companies better prepare for tomorrow's markets. A fundamental purpose of foresight is thus to minimise uncertainties or risks [20], and it is believed to have a positive impact on innovation success [21].

The relationship between organisational foresight and organisational ambidexterity is the focal point of this paper. In recent times many scholars drawing on various case studies and the extant foresight literature have attempted to show empirically how the foresight practice (e.g. cultivation of scenario thinking) could lead to innovation [22–31]. However, this relationship has never been tested by higher constraint research designs. Thus, empirical evidence on the positive relationship between foresight and innovation, or foresight and ambidexterity, is lacking [18].

Most research concerning the relation between organisational foresight and innovation has focused on explorative (radical and disruptive) innovation. Recent studies [e.g. 32,33] suggested a theoretical relationship between organisational foresight and both explorative and exploitative innovations. The study by Middelbeek [34] has shown that environmental scanning, a fundamental element of organisational foresight, is positively and significantly related to ambidexterity, especially to explorative innovation. Gracht et al. [26] suggested a dual role of foresight – while it can contribute to creatively generating new innovation ideas, it also helps evaluating the existing ones, thus inducing incremental changes. Furthermore, Rohrbeck and Gemünden [33] proposed three roles of foresight. First, foresight performs an initiator role that inspires and creates new ideas for innovation by providing comprehensive insight into the future development of the environment [33]. Hence, upon new information regarding the emerging changes in the development of existing markets and costumers, a foresight process may cause new ideas on exploiting existing capabilities or introducing incremental innovations in the existing product portfolio or business operations. Second, their study identified examples in which foresight performing the strategist role has permitted the firm to explore and plan the development of new business fields. Finally, an opponent's role helps challenging and assessing the existing research and innovation projects or

existing business activities and can therefore induce both radical and incremental (explorative and exploitative) innovations. This has led to the conclusion that organisational foresight can contribute to organisational ambidexterity [33].

The main purpose of this paper is to contribute to theory testing by determining the relationship between organisational foresight and organisational ambidexterity, as the theoretical and empirical basis for such relationship is becoming more apparent. The primary interest of this research rests in 'organisational foresight' (firm level) as opposed to managerial foresight (level of individuals) and foresight at the policy (macro) level. The paper departs from the term 'corporate foresight' as it is associated with large multinational corporations, while increasingly authors, for example Jannek and Burmeister [35] discuss foresight needs in all types of companies.

Despite continuous development of the field of organisational foresight studies, the majority of writings have not been theory-driven, as many exercises have emerged through pragmatic efforts to create adequate frameworks for addressing various issues [22]. A review of the field reveals empirical research that has been limited to case studies. Only some specific phenomena, such as the characteristics of environmental scanning [34], or the relationship between managerial foresight and organisational performance [22] have been studied with deductive means. Rohrbeck [36] suggested that the research discipline on foresight has not reached maturity yet, but can be classified as being at the transition from theory development to theory testing. Consequently, as the concept of organisational foresight has already been addressed through lower constraint designs, the refinement of research questions to allow higher constraint was deemed central, in order to move to theory testing. This requires elaborating a construct that is precise enough for the quantitative measures to be developed, and constructing a valid and reliable instrument for measuring organisational foresight. Hence, more specific objectives of this paper are, first, to develop and test a valid and reliable instrument for measuring organisational foresight, and second, to provide empirical evidence to the relationship between organisational foresight and organisational ambidexterity.

2. Capabilities based conceptualisation of organisational foresight

This section briefly discusses the conceptual model as well as structural relationships in the model.

2.1. Conceptual model

While organisational foresight research is still driven by the aim to identify successful methods and processes, in this paper we follow Rohrbeck's [36] integrative approach to organisational foresight as a set of capabilities, where foresight methods, processes and competences are not mutually exclusive – a process can contain a series of methods, and methods and processes can be used to achieve a capability. Capabilities are a collection of high-level, learned, patterned, repetitious behaviours that an organisation can perform better relative to its competition. A capability model tends to measure organisational attributes rather than people attributes, so is more suitable (in contrast to competences or behaviour based models) for the

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