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A joint analysis of determinants and performance consequences of ambidexterity

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Summary This paper simultaneously analyzes antecedents and consequences of organizational ambidexterity. Regarding antecedents, the paper examines the influence of internal antecedents (organizational structure) and external antecedents (environmental dynamism). With regard to consequences, the paper analyzes the impact of ambidexterity on firm performance. Moreover, we use two different approaches to ambidexterity (structural and contextual perspectives). The findings show that a hybrid organizational structure, with organic (decentralization) and mechanistic characteristics (differentiation and formalization), and environmental dynamism, influence ambidexterity, and there is a positive impact of ambidexterity on firm performance.

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Introduction

Ambidexterity is an interesting research topic in strategic management and organization theory. Prior studies have indicated that successful organizations are ambidextrous (March, 1991; Tushman and O'Reilly, 1996), developing exploration and exploitation activities simultaneously. A key issue for a firm is to carry out exploitation activities to ensure its current viability and to develop exploration activities to ensure its future viability (Levinthal and March, 1993). Tushman and O'Reilly (1996) conceptualize the

ambidextrous organization as a firm that has the ability to compete in mature markets (where efficiency and incremental innovation are crucial) at the same time as developing new products for emerging markets (where experimentation and flexibility are critical). Therefore, together with the importance of ambidexterity as an academic research topic, ambidexterity is also relevant for management practice, taking into account the characteristics of the competitive environment where firms operate and thus the need to implement both exploitation and exploration activities.

Organizational ambidexterity is in the process of being developed into a new research paradigm and much remains to be understood (Birkinshaw and Gupta, 2013; O'Reilly and Tushman, 2013; Raisch and Birkinshaw, 2008; Simsek, 2009). As indicated below in the background section,

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some works have explored how organizations can become ambidextrous by studying the main antecedents, determinants or enablers (usually one antecedent), whereas other studies have focused on consequences of implementing organizational ambidexterity. Recent studies (Herhausen, 2016; Junni et al., 2015; Wu and Wu, 2016) suggest that more empirical research is needed in different environmental conditions, including not only consequences but also the combination of several antecedents of organizational ambidexterity. According to Simsek (2009), integrative models are needed. This paper addresses this gap. Examining only the influence of one aspect (internal factor or external context) on ambidexterity may lead to an incomplete explanation of the determinants of organizational ambidexterity and its impact on firm performance. There are theoretical studies and reviews that highlight the need of a joint analysis of internal and external aspects (Raisch and Birkinshaw, 2008; Simsek, 2009). However, to the best of our knowledge, no empirical study has jointly examined the influence of internal and external elements on ambidexterity and the performance consequences of this organizational ambidexterity. The joint analysis of several antecedents and performance consequences is an interesting and relevant topic, both for academic research, in order to reach a more complete perspective of organizational ambidexterity, and for management practice. When managers make decisions (for example, to achieve organizational ambidexterity), they must consider as determinants or antecedents both internal aspects of their firms and external issues of the environment, and a key point is also the effect of ambidexterity on firm performance. We address this joint analysis in our paper.

In addition, according to Junni et al. (2015), further understanding of ambidexterity may require not only examining the joint effects of multiple variables as antecedents of organizational ambidexterity, but also different approaches to study organizational ambidexterity. In this regard, the literature about ambidextrous organizations uses different approaches. O'Reilly and Tushman (2013) identify three main approaches: sequential, simultaneous or structural, and contextual ambidexterity. As we will examine in the next section, studies to date have typically employed only one approach to analyze organizational ambidexterity (Simsek, 2009). In this paper, we focus on two of these approaches at the same time: the structural and contextual perspectives. Therefore, our work addresses the gap in the literature regarding the need of integrative models (internal and external antecedents, consequences, and different approaches of organization ambidexterity).

For this study, we have selected relevant internal and external factors, which also try to address some gaps. Among internal antecedents, organizational structure may play a key role in the implementation of ambidexterity (Csaszar, 2013). The study of organizational structure is important because the implementation of any management system, strategy or activity needs an appropriate organizational structure. The organizational structure is an essential support for all the activities in the organization. Therefore, managers should design a suitable organizational structure for implementing ambidexterity. Previous studies have emphasized that organizational ambidexterity involves differentiated organizational units (Benner and Tushman, 2003;

Tushman and O'Reilly, 1996), and that ambidextrous companies need to use integration mechanisms to increase knowledge flows across exploitation and exploration organizational units (Jansen et al., 2009). However, there is little empirical evidence on the specific characteristics of organizational structure that companies should adopt to develop exploratory and exploitative activities at the same time (Jansen et al., 2005, 2009). According to this, we analyze differentiation, decentralization and formalization as possible organizational structure characteristics that may favor not only the separate development of exploration and exploitation activities, but also their integration. We examine these organizational structure variables because (a) the mainstream literature on organizational design considers differentiation, centralization and formalization as the main variables to characterize the structure of an organization (Hage and Aiken, 1967; Khandwalla, 1977; Lawrence and Lorsch, 1967), and (b) Junni et al. (2015) point out that empirical evidence regarding the relationship between these organizational variables and organizational ambidexterity remains largely based on case studies, and that future quantitative research should address the impact of differentiation, centralization and formalization on ambidexterity to improve our understanding about the role of organizational structure in organizational ambidexterity.

External antecedents may also influence organizational ambidexterity. Although current models of exploration and exploitation generally presume there is environmental dynamism, they actually give little consideration to features of environment (Kim and Rhee, 2009). There is some empirical evidence that a more dynamic environment leads an organization to pursue exploration (Sidhu et al., 2004). However, as competition intensifies, organizations should renew themselves by exploiting existing capabilities and exploring new ones (Jansen et al., 2006). In spite of the importance of the characteristics of environment, few studies have analyzed the relationship between environmental dynamism and organizational ambidexterity. Researchers have argued that environmental factors such as dynamism can require firms to become ambidextrous, and that more studies analyzing how environmental conditions directly influence a firm's organizational ambidexterity are needed (Raisch and Birkinshaw, 2008). Therefore, we analyze environmental dynamism because it can be a relevant antecedent of ambidexterity.

Regarding consequences of ambidexterity, research should provide a more fine-grained understanding of the ambidexterity-performance link as noted by recent studies (Junni et al., 2013; Nosella et al., 2012; O'Reilly and Tushman, 2013; Simsek et al., 2009). Some works found a direct positive relationship between ambidexterity and performance (Gibson and Birkinshaw, 2004; He and Wong, 2004; Lubatkin et al., 2006). Others have found a contingent effect (Cao et al., 2009), or a negative effect (Atuahene-Gima, 2005), while yet others have found no empirical support (Venkatraman et al., 2007). Therefore, empirical evidence is inconsistent regarding the performance implications of organizational ambidexterity (Zhang et al., 2015) and then more research is needed because performance consequences of ambidexterity is a relevant issue for managers.

Thus, the purpose of the paper is to analyze the influence of internal antecedents (differentiation, centralization

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