

# BUILDING AMBIDEXTERITY INTO AN ORGANIZATION

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# **BUILDING AMBIDEXTERITY INTO AN ORGANIZATION**

Julian Birkinshaw and Cristina Gibson  
2004



# AMBIDEXTERITY

A company's ability to simultaneously execute today's strategy while developing tomorrow's arises from the context within which its employees operate.

the importance of ***adaptability*** — the ability to move quickly toward new opportunities, to adjust to volatile markets and to avoid complacency.

an equally important capability we call ***alignment*** — a clear sense of how value is being created in the short term and how activities should be coordinated and streamlined to deliver that value.

For a company to succeed over the long term, it needs to **master both adaptability and alignment** — an attribute that is sometimes referred to as ***ambidexterity***.

The trouble is, **it's difficult to find the right balance between adaptability and alignment.**



# TWO FORMS OF AMBIDEXTERITY

## Structural Ambidexterity vs. Contextual Ambidexterity

The traditional view of organizational ambidexterity revolves around a structural separation of initiatives and activities. The notion of contextual ambidexterity, which manifests on an individual level, represents a complementary process.

	Structural Ambidexterity	Contextual Ambidexterity
How is ambidexterity achieved?	Alignment-focused and adaptability-focused activities are done in separate units or teams	Individual employees divide their time between alignment-focused and adaptability-focused activities
Where are decisions made about the split between alignment and adaptability?	At the top of the organization	On the front line — by salespeople, plant supervisors, office workers
Role of top management	To define the structure, to make trade-offs between alignment and adaptability	To develop the organizational context in which individuals act
Nature of roles	Relatively clearly defined	Relatively flexible
Skills of employees	More specialists	More generalists

***structural ambidexterity***, to create separate structures for different types of

***contextual ambidexterity***, which calls for individual employees to make choices between alignment-oriented and adaptation-oriented activities in the context of their day-to-day work.





# CONTEXTUAL AMBIDEXTERITY

Ambidextrous individuals take the initiative and are alert to opportunities beyond the confines of their own jobs.

Ambidextrous individuals are cooperative and seek out opportunities to combine their efforts with others.

Ambidextrous individuals are brokers, always looking to build internal linkages.

Ambidextrous individuals are multitaskers who are comfortable wearing more than one hat.

# BUILDING CONTEXTUAL AMBIDEXTERITY

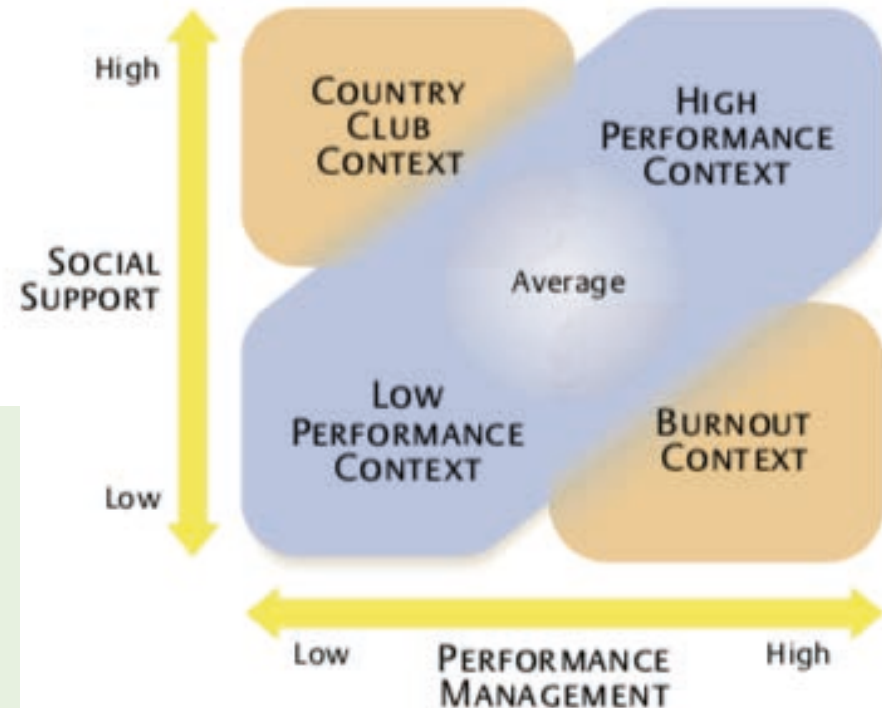
Two dimensions of organizational context:

- **Performance management** (a combination of stretch and discipline), is concerned with stimulating people to deliver high-quality results and making them accountable for their actions
- **Social support** (a combination of support and trust), is concerned with providing people with the security and latitude they need to perform.

Performance management and social support are **equally important and mutually reinforcing**. The strong presence of each will create a **high-performance organizational context** that gives rise to a **truly ambidextrous organization**.

## Four Types of Organizational Context

The more a company emphasizes performance management and social support, the more likely are its employees to behave ambidextrously — aligned and adaptive — and the more likely the organization is to achieve high performance. A deficiency of either performance management or social support will create less than optimal contexts for ambidexterity.



A top-down view of a wooden desk. On the left, a laptop keyboard is visible. In the center, a calendar for December 2017 is open, showing dates from 21 to 31. A pen lies on the calendar. To the right, a newspaper with the word 'BUSINESS' is partially visible. A hand is pointing at the calendar.

# CREATING A HIGH-PERFORMANCE ORGANIZATIONAL CONTEXT

Three critical points:

There is **no single pathway** to ambidexterity

There is **no single leadership model** for an ambidextrous organization.

A clear and simple set of priorities.

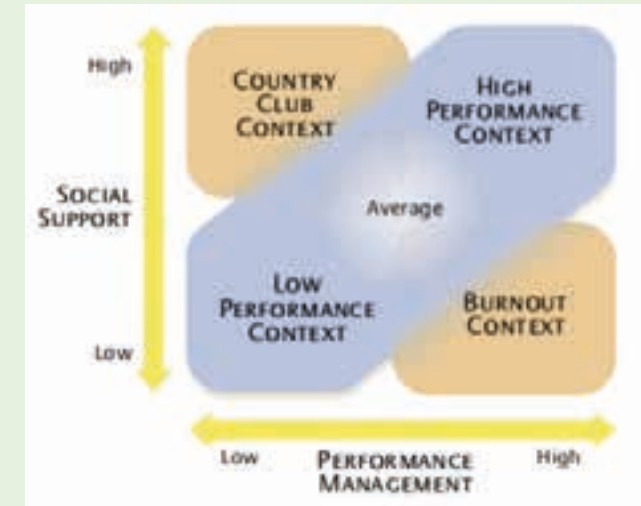
# ESCAPING FROM SUBOPTIMAL CONTEXTS

**The burnout context**, puts so much emphasis on performance management that social support systems are either neglected or never put in place. Eventually, performance suffers as **exhausted and disenchanted employees** have neither the capacity nor the incentive to execute or innovate.

**The country-club context**, in which there is a strong sense of support and trust, but **no one works too hard and mediocre performance is tolerated**

At some companies, there is **not only little concern for performance**, but also **no sense of trust or support among the employees**. That is the worst of both the country-club and burnout syndromes and constitutes a **low-performance context** in which ambidexterity is impossible.

Companies that find themselves in a **low-performance context** must place an **immediate priority on developing improved performance management**. Social support mechanisms can follow well before the risk of burnout becomes an issue.







# PATHWAYS TO AMBIDEXTERITY

Diagnose your organizational context.

Focus on a few levers, and employ them consistently.

Build understanding at all levels of the company.

View contextual ambidexterity and structural ambidexterity as complements.

View contextual ambidexterity initiatives as “driving leadership,” not as being “leadership-driven.”

A top-down view of a business meeting around a wooden table. Several people's hands and arms are visible, interacting with documents, a laptop, and a pen. One document has the word 'Contract' visible. The laptop screen shows a colorful bar chart. The overall scene suggests a collaborative work environment.

# **DYNAMIC CAPABILITIES, INTERNATIONALIZATION PROCESSES AND PERFORMANCE**

Christiane Prange a,\*, Sylvie Verdier b,1  
2011

# INTRODUCTION

When firms extend their international activities, they accumulate capabilities, such as **learning, cultural adaptability, or receptivity for change** (Sapienza et al., 2006) which relate to multiple countries.

**Global market success** does not only depend on a firm's given portfolio of resources and capabilities but also on **its capacity to constantly reconfigure and adjust them to international contingencies** (Kogut & Singh, 1988; Li, 1995).

a **dynamic capability view (DCV)** offers a suitable theoretical foundation as it suggests leeway for **learning, integrating, building and reconfiguring internal and external competencies** (Teece, Pisano, & Shuen, 1997).

**Dynamic capabilities** may be further tailored to firms' specific **internationalization processes** as each of them, **incremental or accelerated**, suggests a predefined path for differential capability building.

By adopting a DCV perspective, this paper provides three major contributions.

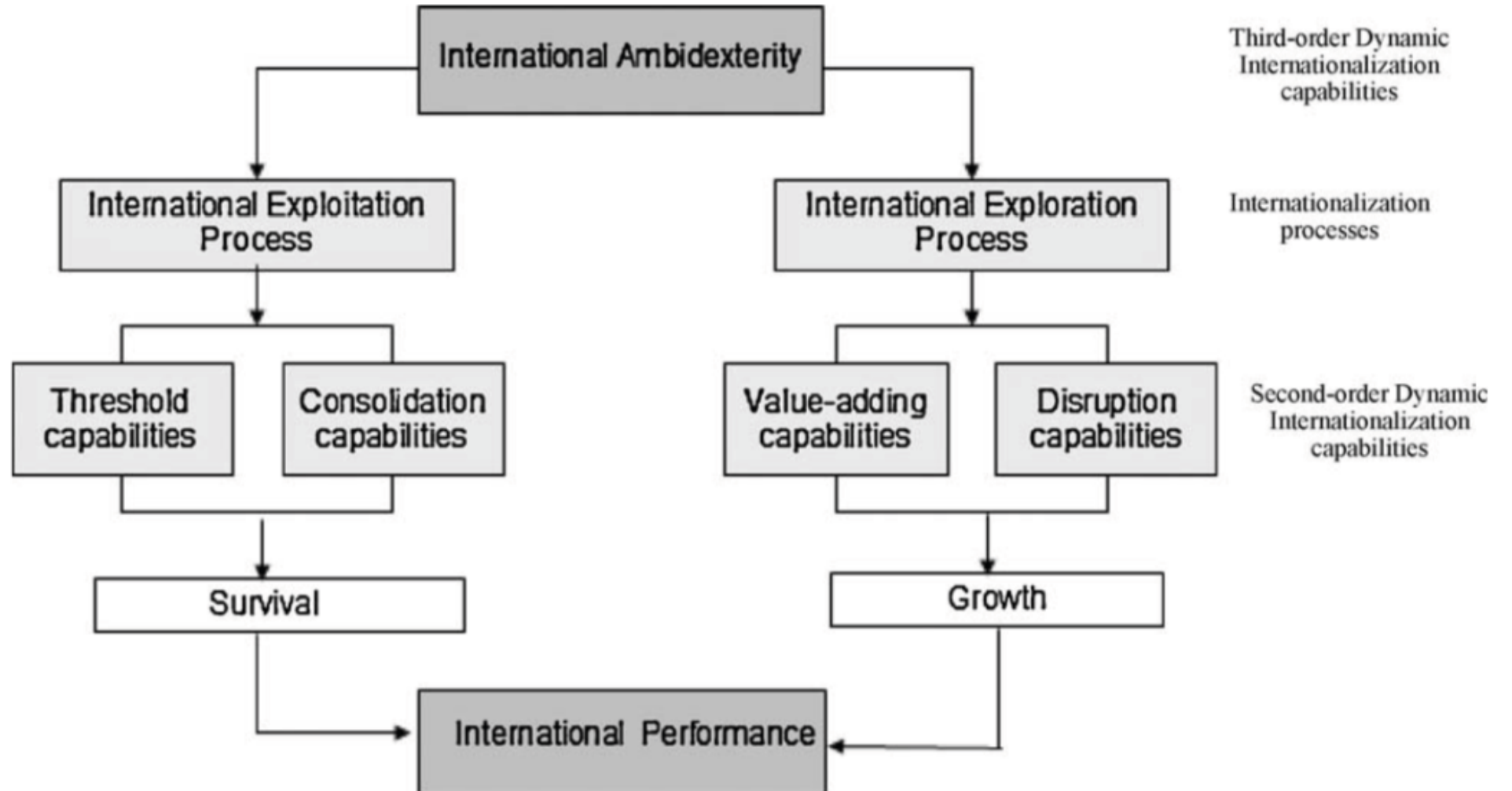
- Suggest that **different types of capabilities** support **different internationalization processes**.
- Incorporate **international performance** variables into the **analysis of different types of internationalization processes**.
- In building on the **exploration versus exploitation paradigm** (March, 1991), this suggest that only a constant interplay between a firm's diverse internationalization processes results in both international **growth and survival**.

This paper introduce the concept of “**international ambidexterity**”.



# A DYNAMIC CAPABILITY-BASED PERSPECTIVE OF INTERNATIONALIZATION PROCESSES

This paper use the lens of the dynamic capability view to reinterpret **internationalization processes** and introduce **four types of dynamic internationalization capabilities** that are likely to **impact performance**



**Fig. 1.** Dynamic capabilities, internationalization and performance.

# DYNAMIC INTERNATIONALIZATION CAPABILITIES AND INTERNATIONALIZATION PROCESSES

The notions of 'exploitation' versus 'exploration', capabilities required for incremental and accelerated internationalization processes are clearly distinct. **Exploitation** refers to **control, certainty, risk reduction**, while **exploration** corresponds to **discovery, risk-taking, experimentation, flexibility, and innovation**

## DYNAMIC INTERNATIONALIZATION CAPABILITIES AND THE INTERNATIONAL EXPLOITATION PROCESS

**Exploitation** is mainly based on the application of existing knowledge

Firm developed a set of capabilities in their home market, and once they achieved a sufficient threshold, they considered themselves ready to enter foreign markets. Developing these **threshold capabilities** is a necessary condition before firms implement their internationalization path as it allows for the incorporation of new, foreign-based assets and capabilities.

Firms **consolidate existing capabilities**, such as by unifying products or brands, and building regional clusters that follow the same management principles. In this phase, profit generating 'bundles of resources' act as a driver of further firm expansion. **Consolidation capabilities** which help to create structures and routines to focus on opportunity recognition and exploitation notes.

# DYNAMIC INTERNATIONALIZATION CAPABILITIES AND INTERNATIONALIZATION PROCESSES

## DYNAMIC INTERNATIONALIZATION CAPABILITIES AND INTERNATIONAL EXPLORATION PROCESS

Exploration is based on the **development of new capabilities**.

Firms' learning also needs to include the exploration of **completely new capabilities** (Chang, 1995; March, 1991) which relates to **the exploration and creation of new value**. When born globals investigate new and unknown territories, they need to **develop hitherto non-existing capabilities**.

a firm which embraces **a faster internationalization process and eventually enters** more distant countries, **possesses capabilities that drive strategic change**. these skills as ***disruption capabilities*** which have similarly been termed '***strategic change capabilities***'.



# EXPLORATIVE VS. EXPLOITATIVE INTERNATIONALIZATION, SURVIVAL AND GROWTH

**Growth** typically involves **huge investments** whereas **profit-oriented survival strategies** imply that **investments into new market creation will be limited**

## Internationalization and international growth

Penrose (1959) argued that growth depends on the reorganization of resources and routines and dynamic capabilities are at the core of this reorganization

**Explorative internationalization** is based on dynamic capabilities reflecting an organization's ability to achieve **new and innovative forms of competitive advantage** by **using dynamic value-adding or disruptive capabilities**.

Explorative see foreign opportunities as **a driver of growth**, and their international strategy focuses on the **rapid increase in market share** as well as on **market expansion** through **customization and decentralization**

**Exploitative internationalization** is based on dynamic capabilities that are linked to **path-dependent learning and knowledge accumulation** through international experience.

If sufficient **threshold and consolidation capabilities** have been developed to support an international move, they may lead to a lock-in for further international growth rates as they may blind a firm towards opportunity recognition  
And this **cumulative knowledge development that limits feasible paths for growth**

## PROPOSITION1

**Growth rates are higher** for firms pursuing an **explorative internationalization** than firms pursuing an **exploitative internationalization**.

# EXPLORATIVE VS. EXPLOITATIVE INTERNATIONALIZATION, SURVIVAL AND GROWTH

## Internationalization and international survival

survival corresponds to the longevity of a firm, and failure rates are used as a common measure of exits

**Exploitative internationalization** encourages the **accumulation of knowledge and experience** and **reduces the uncertainties of mere probing and testing**. Thereby, it **improve survival chances and success in foreign markets**

Firms that rely on **explorative dynamic capabilities** **do not have an incubation phase**. Managers' prior experience is cited as influencing the speed of internationalization (Oviatt & McDougall, 2005) but as a firm internationalizes early, **this experience is not sufficiently entrenched** as a second-order capability. Consequently, firms are **likely to fail because permanently exploring companies need some performance stability generated by exploitation** (Rothaermel & Deeds, 2004).

## PROPOSITION2

Survival rates are **higher** for firms pursuing an **exploitative internationalization** than for firms pursuing an **explorative internationalization** strategy.

# DISCUSSION

**Explorative and exploitative** are required to **acquire different sets of dynamic capabilities** and **increase internationalization performance**.

When firms go abroad, either exploitatively or exploratively, they **accumulate learning or create new knowledge**.

**An ambidextrous organization** is the best supporting platform **to embrace alignment among structure, people, culture, and strategy**” (Han, 2005: 12).

Companies need to pursue **an ambidextrous internationalization process** in order **to acquire these different sets of dynamic capabilities** behind each process to achieve both related outcomes in a quest for long-run performance

**International ambidexterity** is the **foundation of a sustainable international firm**.





# IMPLICATION

- For early internationalizing firms, major challenges result from the quest for survival and profitability, which requires consolidation capabilities.
- When firms get older, they need to unlearn constraining routines, and build disruption capabilities. In between, the need for quickly building market share or brand reputation requires a close interplay between threshold and consolidation capabilities.
- Building value-adding capabilities is especially pertinent when firms want to grow and improve their expansion process.
- This research aims at providing more insight into different types of capabilities internationalizing firms call upon and how these fit to their desired process of internationalization and performance objectives.



A top-down view of a wooden desk. In the upper right, a silver laptop is open, displaying a spreadsheet. To its left, a person's hand in a dark suit sleeve is writing on a document with a pen. The document has the word 'Contract' visible. In the lower left, another person's hand with dark nail polish is resting on a document. In the lower right, a third person's hand is visible. The background is a light-colored wooden surface.

# **GLOBAL FROM THE START: THE CHARACTERISTICS OF BORN-GLOBAL FIRMS IN THE TECHNOLOGY SECTOR**

Stoyan Tanev  
March 2012

# Introduction

The “**born global**” label originated with Michael Rennie (1993), who studied firms established with the **capability to compete internationally** and **co-ordinate resources across countries** (Jones et al., 2011).

For the purpose of this paper, a true **born global firm** is a **new venture that acts to satisfy a global niche from day one**.

- This definition is consistent with the definition by Moen, Sørheim, and Erikson (2008) and fits best with the entrepreneurship literature.
- It focuses on the creation of **new ventures that are international by design** and not by emergence.

Thus, the unit of analysis is a startup that is born global, excluding firms that have simply grown to be global after being a domestic firm for a period of time.



# Distinctive Characteristics of Born-Global Firms

Born-global firms possess the following distinctive characteristics:

1. High activity in international markets from or near the founding
2. Limited financial and tangible resources
3. Present across most industries
4. Managers have a strong international outlook and international entrepreneurial orientation
5. Emphasis on differentiation strategy
6. Emphasis on superior product quality
7. Leveraging advanced information and communications technology (ICT)
8. Using external, independent intermediaries for distribution in foreign markets



# The Specifics of Technology Firms

Kudina et al., (2008) summarized **conditions for newly created technology firms considering globalization** based on comprehensive analysis on tech-firm in England:

1. The market in the home country is not large enough to support the scale at which the firm needs to operate.
2. Most of the firm's potential customers are foreign, multinational firms.
3. Many of the firm's potential customers have overseas operations where they will use the firm's products or services.
4. The firm operates in a knowledge-intensive or high technology sector.
5. Having the most technically advanced offering in the world is key to the firm's competitive advantage.
6. The firm's product or service category faces few trade barriers.
7. The firm's product or service has high value relative to its transportation and other logistics costs.
8. Customer needs and tastes are fairly standard across the firm's potential country-markets.
9. The firm's product or service has significant first- mover advantages or network effects.
10. The firm's major competitors have already internationalized or will internationalize soon.
11. The firm has key managers who are experienced in international business.

# The Importance of Ecosystems

Kudina, Yip, and Barkema (2008) attribute the success of technology firms that are born global to their effective use of **three types of ecosystems**:

Anchored **around universities** and **firms operating in the same industry as the focal firm**.

Results in:

- a **flow** of technological knowledge
- experienced people
- contacts with local venture capitalists that benefit the focal firm.

Establishes and strengthens **relationships** between **firm's local operations** and **foreign sales subsidiaries**.

Results in:

- **network** as sources of knowledge from experts that are spread out internationally.

Anchored around **foreign sales subsidiaries** and **local clients** that are important for high-quality service.

Results in:

- relevant information about client needs in relation to product development from **customer involvement**.

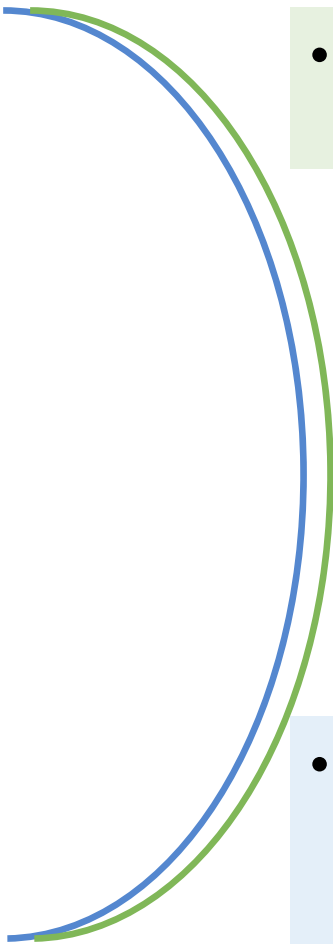


# Research Questions

There are many relevant research questions that should be addressed in future studies. Suggested research questions include:

1. **What barriers** inhibit technology firms from being born global?
2. **What factors** contribute to the **early success** of born-global firms even in light of their **limited access to resources**?
3. **What** are the main **advantages** associated with **internationalization** at an **early stage** of the life cycle of a technology company?
4. **How** can **design principles help** launch and grow born-global technology firms?
5. **How** do **resource-poor** technology companies reconcile the **costly needs** for **product customization** in unique foreign markets with the **need to achieve** economies through **product standardization**?
11. **Does early internationalization** also occur among firms that specialize in **technology-driven services**?
12. **What** is the **role of ecosystems** in launching and growing technology firms that are born global?
13. **What proportion** of born-global technology firms **become large, successful** firms?
14. **Is ownership** of born-global firms significantly **different** from ownership of firms **that were not born global**?

# Conclusion

- 
- The literature on born-global firms has developed separately from the technology entrepreneurship literature.
  - The various definitions of born-global firms do not enable linking research on born-global firms and the theory of the firm or entrepreneurship theory.
  - If **technology firms** that are **born global** are **more successful** than technology firms that are not born global, we should focus on **defining design principles** that incorporate key attributes of born-global firms and **use these design** principles to launch and grow technology companies.
  - This article is a call to first empirically validate that born-global firms are more successful than firms that were not born global and then identify the design principles that can be used to design technology startups.

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# **BORN GLOBALS TROUGH KNOWLEDGE-BASED DYNAMIC CAPABILITIES AND NETWORK MARKET ORIENTATION**

Diego Monferrer, Andreu Blesa, María Ripollés

2014



# Introduction

The new **global market conditions** provoke changes in the **internationalisation** conduct of the **new firms**. This **no longer occurs gradually**, as maintained by the traditional literature on the internationalisation of the firm (Johanson and Vahlne, 1977), but rather **quickly after their creation**.

- Due to **Born Globals (BG)** short life, the experience that the firm itself is able to accumulate prior to its internationalisation will be minimal.
- It is necessary to investigate how BGs **acquire, interpret and translate market information** in order to develop skills that contribute to their **international sustainability** (Knight and Liesch, 2002).

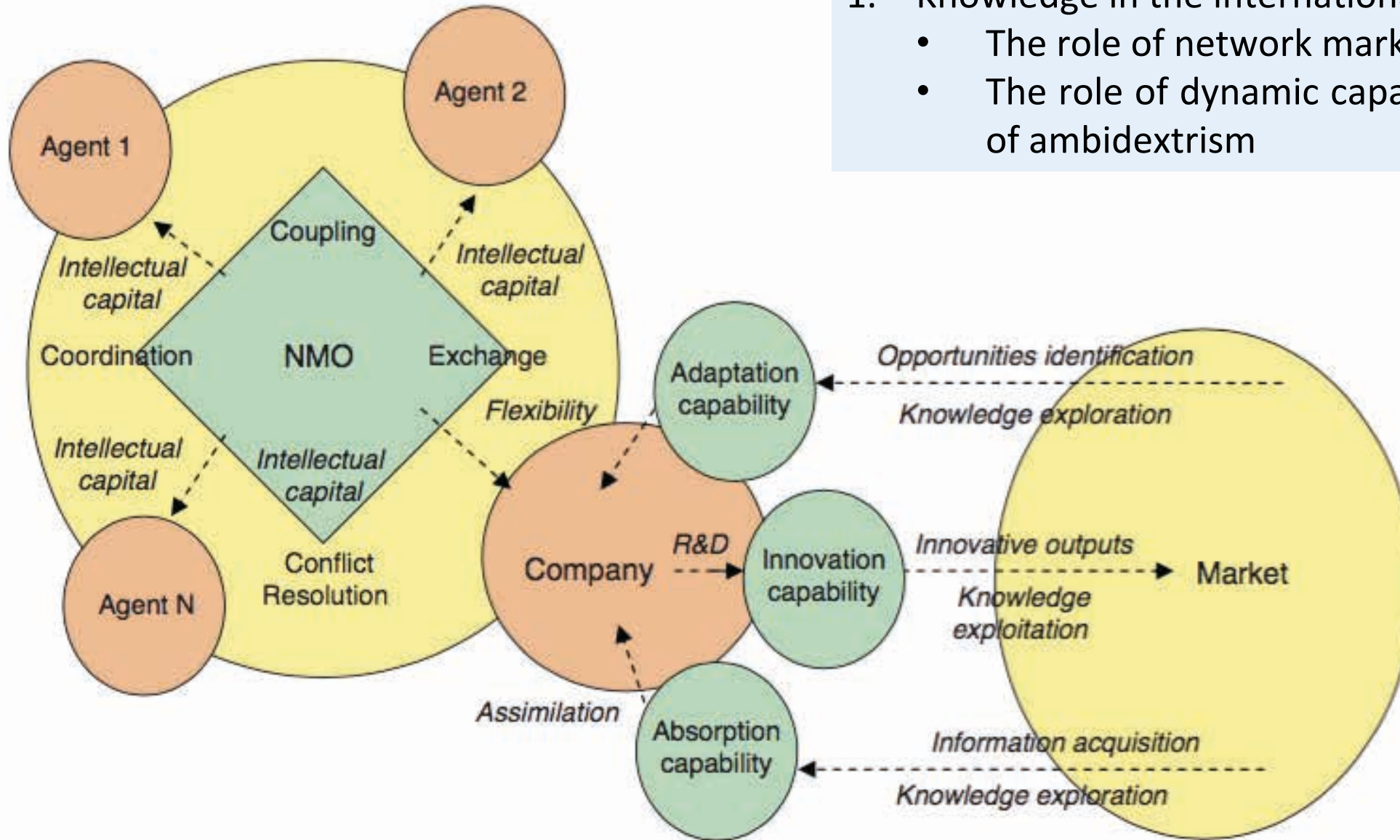
This study analyses the **applicability** of **traditional theories of internationalisation** to this new business reality, and propose two factors associated with knowledge as being fundamental in the sustainability of BGs:

- market orientation of the network to which they belong
- the dynamic capabilities that they individually generate due to the former.

Using the ambidextrism approach, this study proposes to examine in depth:

- (1) the relationship between the two factors
- (2) the interrelation existing among the dynamic capabilities themselves considering their different nature, of exploration or exploitation
- (3) in terms of this different nature, the influence of the dynamic capabilities on the international performance achieved by these firms.

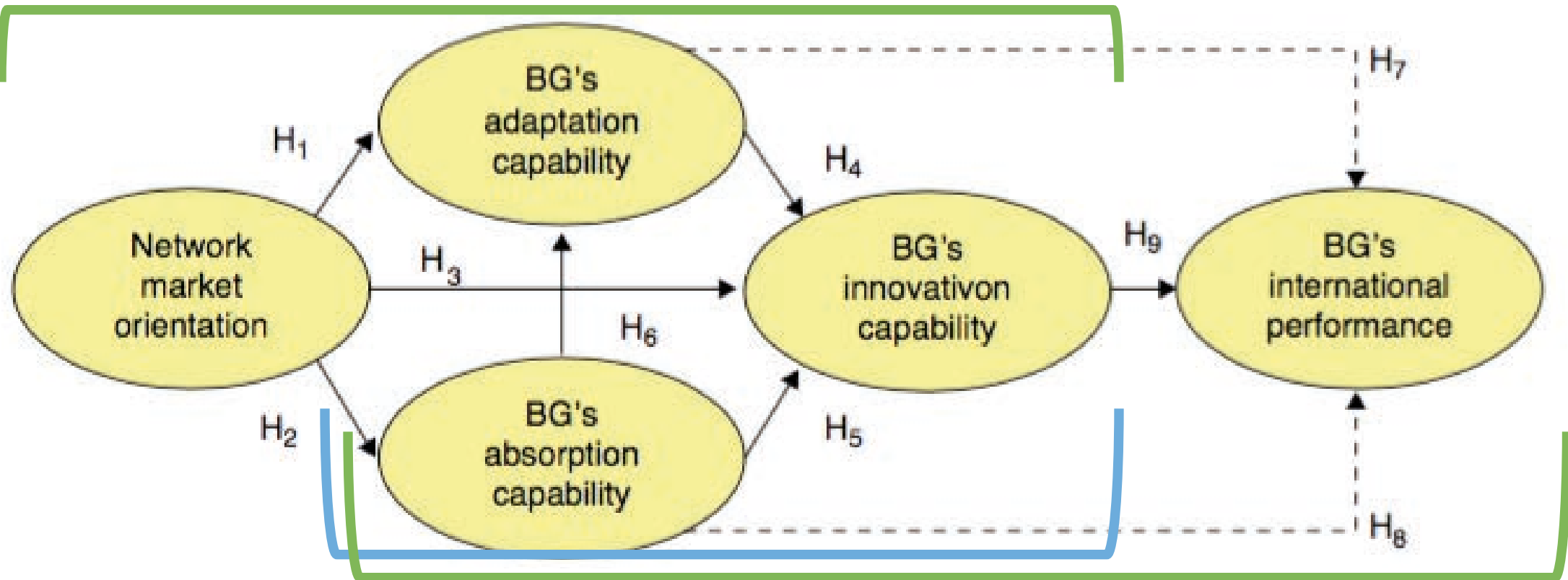
# Theoretical Framework



1. Knowledge in the internationalisation of BGs
  - The role of network market orientation
  - The role of dynamic capabilities as facilitators of ambidextrism

**Figure 1** Ambidextrism in BGs through knowledge-based dynamic capabilities and network market orientation.

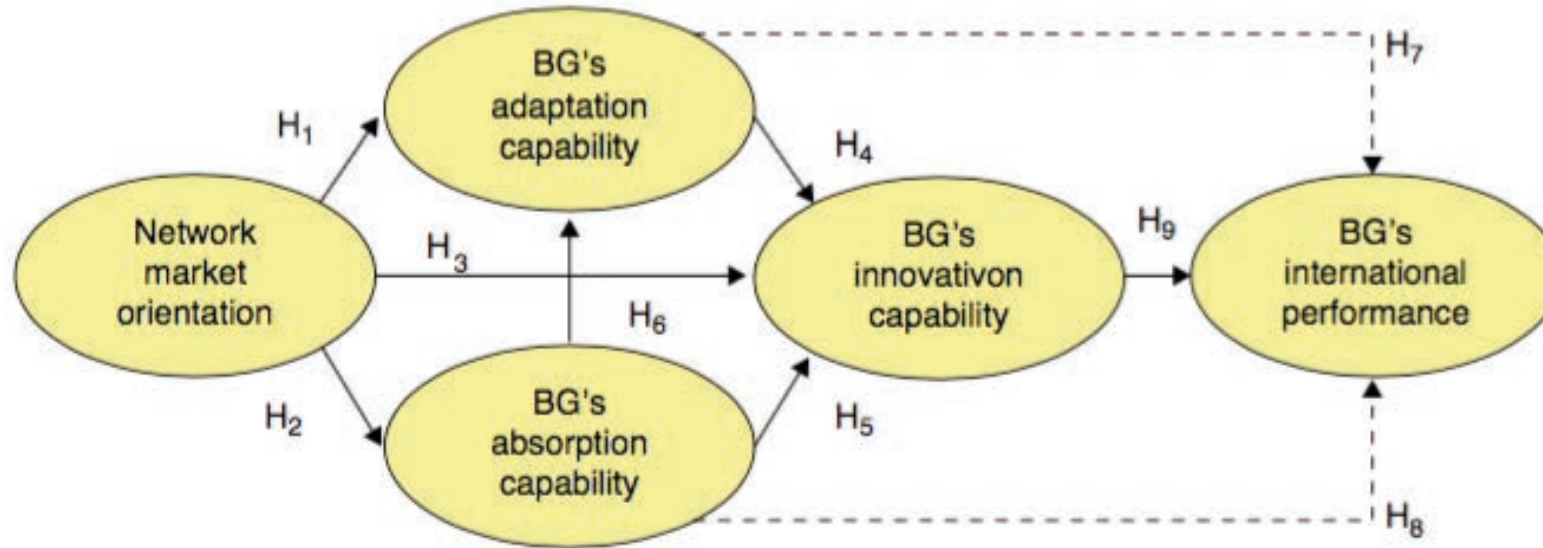
# Theoretical Framework



2. Network market orientation and dynamic capabilities
3. Relationship among dynamic capabilities
4. Dynamic capabilities and international performance



# Model and Hypothesis



**H<sub>1</sub>.** The participation of BGs in market oriented networks encourages the generation of an adaptation capability in them.

**H<sub>2</sub>.** The participation of BGs in market oriented networks encourages the generation in them of an absorption capability.

**H<sub>3</sub>.** The participation of BGs in market oriented networks encourages the generation in them of an innovation capability.

**H<sub>4</sub>.** The adaptation capability of BGs positively influences their innovation capability.

**H<sub>5</sub>.** The absorption capability of BGs positively influences their innovation capability.

**H<sub>6</sub>.** The absorption capability developed by BGs has positive effects on their adaptation capability.

**H<sub>7</sub>.** The adaptation capability developed by BGs has no significant effects on their international performance.

**H<sub>8</sub>.** The absorption capability developed by BGs has no significant effects on their international performance.

**H<sub>9</sub>.** The innovation capability developed by BGs has positive effects on their international performance.

# Methodology

**Table 1** General characteristics of the firms.

Years of international experience <sup>a</sup>		Total number of employees		International activities in the value chain <sup>b</sup>		Activity sector	
Years elapsed	%	Employees	%	Activity	Average %	Sector	%
0	76.6	3–5	26.4	Manufacturing process	11.58	Industrial	61.2
1	19.8	6–11	25.4	Research and Development	7.40		
2	2.1	12–25	23.8	Commercialisation	41.50	Commercial	31.6
3	1.6	Over 25	24.4	Advertising and promotion	11.18		
				After-sales service	16.51	Services	7.2
Average years elapsed = 0.28		Average employees = 28.55		Average international activity = 17.63			

<sup>a</sup> The figure corresponds to the difference between 2010 and the date of the first international activity.

<sup>b</sup> Figures expressed as a percentage of total responses.

**Table 2** General characteristics of the main networks of the studied firms.

Network size		Geographical scope of the network <sup>a</sup>		Type of network	
Firms	%	Scope	%	Type	%
3	55.6	Regional	62.19	Social network	2.5
4–5	19.4			Technological network	14.9
6–10	11.1	National	15.42	Institutional network	2.0
>10	13.9			Infrastructure network	5.5
				Marketing network	92.5
				Market network	15.4
Average firms = 5.81		International	22.39		

<sup>a</sup> According to the location of most network members.

**Sample:**  
303 Spanish BG firm

## Validity and reliability of the scales

To refine the scales, a confirmatory factor analysis was performed using the structural equations models technique.

# Results

The hypotheses, as well as the validations of the scales, were tested using **structural equations models**. This technique is particularly useful when a dependent variable becomes an independent variable in subsequent relationships of dependence.

**Table 6** Results of the estimation of standardised parameters for the model of effects.

Relationship	Load	<i>t</i>	Hypothesis	Result
NMO → BG's adaptation capability	0.327	4.308*	H <sub>1</sub>	Not rejected
NMO → BG's absorption capability	0.345	4.892*	H <sub>2</sub>	Not rejected
NMO → BG's innovation capability	0.013	0.187	H <sub>3</sub>	Rejected
BG's adaptation cap. → BG's innovation cap.	0.518	6.934*	H <sub>4</sub>	Not rejected
BG's absorption cap. → BG's innovation cap.	0.443	6.017*	H <sub>5</sub>	Not rejected
BG's absorption cap. → BG's adaptation cap.	0.481	6.874*	H <sub>6</sub>	Not rejected
BG's adaptation cap. ~ BG's int. performance	0.130	1.377	H <sub>7</sub>	Not rejected
BG's absorption cap. ~ BG's int. performance	0.048	0.582	H <sub>8</sub>	Not rejected
BG's innovation cap. → BG's int. performance	0.244	3.786*	H <sub>9</sub>	Not rejected

## Goodness-of-fit indicators

$\chi^2/df$	RMSEA	SRMR	GFI	AGFI	NFI	NNFI	IFI	CFI
1.110	0.059	0.044	0.902	0.866	0.911	0.940	0.952	0.952

\*  $p < 0.001$ .



# Discussion

- We find a **positive relationship** between the **NMO** and the **adaptation** and **absorption capabilities** of the BGs, as well as an **effect of both** on the **innovation capability**.
- This study represents a step forward in the literature relating to **ambidextrism** which, from the theoretical point of view, has hitherto emphasised the need for **simultaneous** performance of the **functions of exploration** and **exploitation** within the firm. The BG must present both functions in order to ensure its sustainability.
- Results obtained show that the **influence** over **international performance** achieved by the BG **differs according** to the nature of the **capability** considered.



# Conclusion

- The adoption by the network to which the BG belongs of a market-based strategic orientation endows its members with certain shared mechanisms and behaviors associated with the relational management of knowledge.
- The NMO is identified as a key variable helping to understand how the knowledge dispersed in several organisations can be consolidated as an essential element in the sustainability of BGs in their foreign markets.
- The dynamic capabilities (adaptation, absorption and innovation) are factors guaranteeing the BGs' involvement in, and continued commitment to, updating their resources and capabilities as required by the new demands of the markets.
- It is fundamental to take into account in what measure these capabilities contribute to the exploration or exploitation of knowledge to understand the effect of NMO on the dynamic capabilities generated by BGs

## Limitations and Future Lines of Research

- Our model does not contemplate all the variables that could explain the dynamic capabilities of BGs
- Study sample: BGs of the Spanish
- Based on the responses to a single interviewee in each of Firms and network

**TERIMAKASIH**