

Chapter 18

Ambidexterity in Context of Micro and Small Firms

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ABSTRACT

Micro and small firms operating in a volatile business environment are coerced to manage their limited resources for survival in the short term and sustaining competitiveness in the long term, which is achieved through concurrent pursuit of exploitation and exploration activities, namely through ambidexterity. Indeed, resource and competency constraints create both pressure and challenge for micro and small firms to pursue exploitation and exploration simultaneously, which makes this issue (ambidexterity) more essential to those firms. Thus, this chapter, examining the ambidexterity in context of micro and small firms, is expected to contribute to literature by providing an insight on how micro and small firms would survive and sustain in a highly volatile business environment through their ambidextrousness. In this respect, after “ambidexterity” is explicated, the essentiality of ambidexterity for micro and small firms operating in volatile business environment will be discussed, and an ambidextrous organization model for micro and small firms to achieve better performance will be proposed.

INTRODUCTION

Ambidexterity, the ability of concurrent pursuit of exploitative and explorative activities, is accepted as source of competitive advantage by a huge number of researchers (Lubatkin, Şimsek, Ling and Viga, 2006; ; Jansen, Bosch and Volberda, 2006; Raisch, Birkinshaw, Probst and Tushman, 2009; Cao et al. 2009; Derbyshire, 2014) because it ensures both current and future viability of those organizations (Sinha, 2015). Based on Duncan’s (1976) study, Tushman and O’Reilly conceptualized ambidexterity to describe “the ability to simultaneously pursue both incremental and discontinues innovation and change results from hosting multiple contradictory structures, process, and culture within same firm” (1996, p.24).

The relatively earlier study of March (1991), examining the exploration and exploitation from the organizational learning perspective, had laid the groundwork for the concept of ambidexterity. He positioned exploration- referring to “*experimentation with new alternatives*”- and exploitation- referring

DOI: 10.4018/978-1-5225-7888-8.ch018

to “*the refinement and extension of existing competences, technologies and paradigms*”- as two ends of a continuum competing for scarce resources and attentions of an organization (1991, p.85). Whilst exploitation is associated with the terms of refinement, execution, implementation, efficiency, production, choice and selection; exploration is pertained to terms of search, risk taking, innovation, flexibility, discovery, variation (1991, pp.71). It has been argued that over emphasis on exploitation may enhance short term earnings, however result in “success trap” because organizations may not respond to changing environment adequately (Raisch and Birkinshaw, 2008; Gupta et al., 2006). In other words, any firm engaging in solely exploitation to the exclusion of exploration, is likely to become obsolete in a rapidly changing environment because it sacrifices future gainings and benefits for present earnings (Levinthal and March, 1993). On the other hand, one sided focus on exploration may enhance ability of organization to innovate, however result in “failure trap” because of unrewarding and endless cycle of search (Raisch and Birkinshaw, 2008; Gupta et al., 2006; March, 1991). Namely, any firm focusing on solely exploration rather than exploitation, is unlikely to survive because it suffer from costs of experimentation without reaping its benefits (March, 1991), which prevent this firm to benefit from economies of scale or economies of scope (Sinha, 2015). To cope with that tension and manage trade-offs, earlier scholars proposes the maintenance of an appropriate “balance” between exploitation and exploration which is essential for system survival and prosperity (March, 1991; Ghemawat and Costa, 1993; Levinthal and March, 1993). However, some contemporary scholars, viewing exploitation and exploration as independent activities, emphasize the “concurrent pursuit” of high levels of exploitation and exploration (e.g. Baum, Li and Usher, 2000; Beckman, Haunschild and Philip, 2004).

Despite the lack of the consensus on positioning the exploration and exploitation activities, researchers mostly accept that firms can survive present and secure future thanks to their “*competency to exploit current resources and to explore new opportunities simultaneously*” (Raisch et al., 2009; Colbert, 2004; Raisch and Birkinshaw, 2008; O’Reilly and Tushman, 2008; Venkatraman, Lee and Iyer, 2007; Derbyshire, 2014; Sinha, 2015; Jansen et al., 2006; Gupta et al., 2006). Significantly, scholars acknowledge that ambidexterity is more useful if firms are operating in highly competitive and fast-changing environments (Hill and Birkinshaw, 2014; Birkinshaw and Gibson, 2004; De De Clercq et al., 2014; Raisch et al., 2009), and it ensures long term success by capitalizing existing resources and competencies and developing new combinations of resources and competencies to meet future needs at the same time (Voss and Voss, 2012; Hill and Birkinshaw, 2014).

However, attaining ambidexterity is challenging because exploration and exploitation require different and inconsistent organizational structures, cultures and processes, which means enhancing complexity and coordination costs for firms (De Clercq, Thongpapanl and Dimov, 2014). Large scale firms can handle this challenge and manage this complexity successfully thanks to their prevailing resources and competencies. However micro and small firms are likely to suffer because of their scarce resources and competencies (Voss and Voss, 2012). Resource constraint of micro and small firms creates a challenge for them to pursue exploitation and exploration jointly. For example, Sinha (2015) argues that, for such a business lacking of resource slack and administrative system, it is difficult to afford structural ambidexterity mode, which requires pursuing exploitation and exploration activities at the same time but in separate organizational units. Paradoxically, micro and small firms operating in a changing and increasingly dynamic business environment are coerced to manage their limited resources for survival in short term and sustaining competitiveness in long term, which is enabled through concurrent pursuit of exploitation and exploration activities. That is to say, resource constraint creates both *pressure* and

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