

Chapter 88

Building Ambidextrous Supply Chains in SMEs: How to Tackle the Barriers?

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ABSTRACT

Ambidexterity involves developing competencies to excel simultaneously on the exploration and exploitation dimensions. Few studies in literature discuss ambidexterity in a supply chain context. The research presented in this paper highlights issues that act as barriers and deserve attention in implementing ambidextrous supply chain strategy in SMEs. To develop a relationship structure existing among these variables, Interpretive Structural Modelling (ISM) technique is used. Further, variables' impact and dependency is calculated using Impact Matrix Cross-Reference Multiplication Applied to a Classification (MICMAC) approach. ISM algorithm proves to be a better tool as compared to a large-scale generic questionnaire based study due to its iterative nature that helps to bring forth issues that are difficult to identify otherwise. SMEs in India under tremendous pressure to excel on exploration and exploitation dimensions would be the major beneficiaries of this study. The hierarchy based structure and the classification of factors based on their impact and dependence, will enhance the understanding of SMEs managers/owners to improve supply chain performance by eliminating barriers and thereby implementing ambidextrous strategy across the supply chain.

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INTRODUCTION

Ambidexterity is the ability to help organizations' utilization of existing knowledge to improve profitability and quest for new knowledge to develop competencies that would define its existence in the competitive landscape (Turner, Swart, & Maylor, 2013). These two abilities have been traditionally known as exploitation and exploration (March, 1991), while the focus of exploitation is to utilize existing competencies to improve the existing product and services and generate more revenues, exploration is concerned with offering new products and services by focusing on innovation (Choi & Lee, 2015). Ambidextrous organizations have the capability to excel on financial performance coupled with a higher probability of survival in a fast-changing business environment (Turner, Maylor, & Swart, 2015). Overall, following an ambidextrous strategy will positively affect sales revenues, profits, customer satisfaction and new product introductions (Sarkees & Hulland, 2009) which ultimately would help develop competitive advantage for the firm.

Organizations' pursuit for ambidexterity requires that they have capabilities to use the opportunities that market provides and active in finding new innovative ways to cater to the market demands in future (Lubatkin, Simsek, Ling, & Veiga, 2006). In literature, three types of ambidexterity can be found; Tushman & O'Reilly (1996) suggests 'structural ambidexterity', an approach that balances between exploitation and exploration by dividing the responsibilities for these functions among different organizational units. In 'temporal' ambidexterity (Tushman & O'Reilly, 1996), the processes of exploration and exploitation activities follows a sequential path while business-unit level 'contextual' ambidexterity relates to individuals' choices and actions (Gibson & Birkinshaw, 2004).

Today organizations and their supply chains are facing three major competitive pressures, diminishing competitive advantage due to ease of copying of products using advance IT tools, emergence of new organizations with innovative products capable of replacing existing technologies and lastly fast product development and introduction to the market. These competitive pressures require supply chains to constantly innovate and utilize these innovations to consistently introduce improved and new products to beat competition in the markets which is the essence of ambidextrous strategy. According to Kristal, Huang, & Roth (2010), ambidextrous supply chain is a strategic choice involving exploitation and exploration in a supply chain. Thus, for a supply chain to follow an ambidextrous strategy, it needs to use its supply chain wide resources to reduce cost and improve reliability while leveraging resources across the chain to develop new knowledge and competencies.

The notion that firms' following an ambidextrous strategy tend to perform better, impact the organizations strategy about innovation and to the question 'whether one size fits all'. To find the level of ambidexterity required, previous research indicates that innovation required in various sectors vary and thus the nature, impact (on performance), and the processes required to develop ambidexterity can follow different paths as per the requirement of the organization (Derbyshire, 2014). In a globalized economy, export driven manufacturing Small and Medium Enterprises (SMEs) in India are facing tough competition from Chinese, Malaysian, and Taiwanese companies and to survive in this hypercompetitive business environment, organizations need to simultaneously explore and exploit (Cho & Pucik, 2005). The concept of ambidexterity is more applicable to these sectors because when innovation is of a technological nature, the two dimension of ambidexterity usually complement each other (Derbyshire, 2014).

A systematic review by Turner et al. (2013) shows that ambidexterity is emerging as an important area in developing theory and empirical enquiry. According to O'Reilly & Tushman (2011) "what is missing is a clear articulation of those specific managerial actions that facilitate the simultaneous pursuit

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