



SOLVING STRATEGIC PARADOXES THROUGH ORGANIZATIONAL AMBIDEXTERITY - A FORAY INTO THE LITERATURE -

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Abstract:

In a world of unprecedented (diachronic and synchronic) complexities like ours, firms are forced to deal with an increasing number of organizational paradoxes that challenge their strategic choices. Under these circumstances, ambidexterity could become a (dynamic) core competence for firms, making the ambidextrous organization an imperative for businesses more than ever before. The paper aims to explore, based on an integrative approach, the most relevant literature on the interdependencies between the two topics (strategic paradoxes and organizational ambidexterity), in order to identify the most important thesis, arguments and solutions that support the ambidextrous organization, four decades after its first introduction into the academic literature (Duncan, 1976).

Key words: *strategic paradoxes, strategic choices, organizational ambidexterity, ambidextrous organization*

1. Introduction to organizational paradoxes

During their existence, organizations (via their managers) are permanently struggling to make “the right choice (at the right time)” in order to successfully survive. But, for most of the times, both their strategic and operational choices – that eventually shape an organization’s trajectory of evolution – are made against the background of different “tensions, oppositions, and contradictions” (Poole, & Van de Ven, 1989). Pairs of (at least apparently) conflicting demands – such as: efficiency / effectiveness (Kwon, Watts-Sussman, & Collopy, 2002; Mouzas, 2006), competition / cooperation (Jorde, & Teece, 1989; Axelrod, 1997), exploration / exploitation (Benner, & Tushman, 2003; Gupta, Smith, & Shalley, 2006), diversification / specialization (Yeung, et al., 2012; Di Clemente, et al., 2014), and so on – have “traditionally” been governed the universe of decision making, no matter the organizational level (bottom-up or top-down), the kind of decision involved (strategic, tactical or operational), the type of the organization (small, medium or large), the particular industry within which it operates, or the characteristics of the broader context that hosts it.

The literature in the field of management and organizations mostly refers to these situations in terms of “paradoxical tensions” (Smith, & Lewis, 2011), or “contradictory tensions (i.e. duality, dilemma, dialectic and ambidexterity)” (Guilmoit, & Ehnert, 2015) – leading to “organizational paradoxes” (De Vries, 2003; Bloodgood, & Chae, 2010). While the BusinessDictionary defines paradox in terms of a “statement containing seemingly contradictory or absurd assertions which may or may not be provable correct or incorrect” (businessdictionary.com), referring to “the nature of paradox in organizations”, Rodgers (2007) argues that “the essential elements of a paradox are the simultaneous presence of conditions that are self-contradictory and apparently mutually exclusive”.

The impact of organizational paradoxes is even higher nowadays, if considering the unprecedented – diachronic (dynamic) and synchronic (diverse) – complexities that organizations (businesses) have to deal with. In a global economy which rapidly embraces the characteristics and features of a “complex world system” (Saaty, 1990), businesses are global stakeholders, whose strategic decisions are mediated and moderated by their numerous stakeholders; therefore, they become and have to behave as “complex adaptive systems” (Anderson, 1999) while strategically “managing complexity” (Gorzeń-Mitka, & Okręglicka, 2014) – in a way that comply with “Ashby’s law of requisite variety: the complexity and speed of the firm’s response must match the complexity and speed of change of the environment” (Stacey, 2007).

Thus, “paradox has become a common label for the organizational complexity, ambiguity and equivocality accentuated by change” (Luscher, Lewis, & Ingram, 2006). By taking a postmodern perspective, which asks for higher contextualization in a world defined by situations where “is an infinity of choices – each conditioned by contingency and ambiguity”, Fuglsang (1999) claims that “organizational paradox is a reflexive perspective that functions as an analytical knife to make sense of actions that appear to be mutually exclusive. We can make sense of the context, characterized by uncertainty, turbulence, and ambiguity”. Further on, in terms of dealing with organizational paradoxes, Lewis (2000) advocates for (using) “the paradox framework”, which “serves as a lens for examining surprising findings and seemingly absurd aspects of organizational life. This framework might help researchers address *what* tensions exist, *why* they may fuel reinforcing cycles, and *how* actors may manage paradoxes to foster change and understanding”.

2. Living with strategic paradoxes and managing them

A quick look into the literature on strategic paradoxes reveals a plethora of research books and studies, trying to define and categorize them, on one hand, and to develop processes and solutions in order to optimally manage them, on the other hand. Thus, among the most representative ones should be mentioned the following approaches:

Aware that “strategy is full of paradoxes”, and building his case on the proposition that “strategic success is dependent on an appropriate mix of strategic competences, a mix which is particular to an individual company and a mix which

changes in a dynamic environment”, Thompson (1998) argues that, ultimately, “successful implementation is always essential and this means that we are looking at several issues and choices simultaneously, rarely at one in isolation” – while advocating for an “effective strategic leadership”.

Aiming “to take a detailed look at the literature dealing directly or indirectly with management paradoxes in order to integrate it in a useful way for both researchers and practitioners”, Clegg, da Cunha, and e Cunha (2002) propose – based on the “four broad common themes” they have noticed as result of their analysis – “an alternative approach to management paradox (...) that understands the practical and political necessity of holding opposites apart but that, at the same time, takes the relationship between them seriously, looking for a synthesis in the mutual supporting interactions between the two opposites that bind paradoxes in organizations”.

Based on a review of paradox literature – and the classification of paradoxes into four categories, representing “core activities and elements of organizations: learning (knowledge), belonging (identity/interpersonal relationships), organizing (processes), and performing (goals)” – followed by “a dynamic equilibrium model of organizing, which depicts how cyclical responses to paradoxical tensions enable sustainability”, Smith and Lewis (2011) eventually “provide the foundation of a theory of paradox”, arguing that “at its core a paradox theory presumes that tensions are integral to complex systems and that sustainability depends on attending to contradictory yet interwoven demands simultaneously”.

Addressing the challenge of “resolving strategy paradoxes to create competitive advantage”, De Wit and Meyer (2010) propose a “strategy synthesis” approach – based on identifying the strategy paradox that define every dimension and each step of the process of strategic management (on strategic thinking: logic and creativity; on strategy formation: deliberateness and emergence; on strategic change: revolution and evolution; on business level strategy: markets and resources; on corporate level strategy: responsiveness and synergy; on network level strategy: competition and cooperation; on the industry context: compliance and choice; on the organizational context: control and chaos; on the international context: globalization and localization; on organizational purpose: profitability and responsibility), while postulating that “faced with a paradox, one can try to find novel ways of combining opposites, but one will know that none of these creative reconciliations will ever be *the* answer. Paradoxes will always remain surrounded by uncertainty and disagreements on how best to cope”.

Embracing both an integrative approach and a historical perspective when developing their review article on “organizational paradox and coping strategies”, Guilmot and Ehnert (2015) capture the evolution of the field – in terms of: “number of conceptual and empirical papers” (from 1986 to 2013); “key concepts” (“paradox, duality, dilemma, dialectic and ambidexterity”); “key research areas” (accounting & finance, HRM, leadership, marketing, operations management, organization theory, organizational behavior, organizational learning, strategic management, and technology management); “defensive and active coping strategies” (denial,

ignorance, spatial splitting, temporal splitting, opposition, adjusting, and transcending) – while historically “categorizing the literature” into “the incubation phase, the expansion phase and the diversification phase”, and anticipating “the integration phase”.

Therefore, dealing with (strategic) organizational paradoxes and managing them “in the best possible manner” represent challenging tasks for any manager – particularly if considering the multiple paradoxes organizations face (quite simultaneously) nowadays, each of them defined by a series of interconnected variables (located both within and outside the organization) evolving in rather unpredictable ways and generating more complexity than ever before. But, fortunately (some would say even paradoxically), the progressive advancements and refinements registered by academia are the ones allowing a more insightful view on this complex situation, while providing a comforting way out of it – as long as, generally speaking, “a central part of what firms do is manage the tensions that exist between competing objectives; that is, they seek to achieve some form of ambidexterity” (Birkinshaw, & Gupta, 2013).

3. From organizational ambidexterity to the ambidextrous organization

If, in a metaphorical view, “ambidexterity refers to how an organization <<wears the hat>> of the job it does today while at the same time <<wearing the hat>> of the job it will do tomorrow” (Bodwell, & Chermack, 2010), in more pragmatic terms, “ambidexterity is a useful way of framing the challenges organizations face in managing two competing objectives at the same time. It provides frameworks and tools for understanding how managers make choices among competing objectives, who within the organization is responsible for those choices, and what exactly those choices entail” (Birkinshaw, & Gupta, 2013). Against this background, the research on organizational ambidexterity has gained momentum – as “the recent approaches to paradox shifts our focus from either/or logic to both/and thinking and organizational ambidexterity” (Bloodgood, & Chae, 2010) – and the reality of the ambidextrous organization has rapidly emerged and developed – as “a growing number of studies argue that organizational ambidexterity is increasingly important for the sustained competitive advantage of firms” (Junni, et al., 2013) – enriching Duncan’s (1976) original concepts and adding new valences to them.

As sustainable competitive advantage is the fundamental of gaining “superior firm performance”, in order “to formulate and implement a strategy that enhances the firm’s chances of gaining and sustaining competitive advantage, the firm must have certain types of resources and capabilities that combine to form core competencies” (Rothaermel, 2015). Therefore, core competencies – in their capacity of being “unique strengths, embedded deep within a firm, that allow a firm to differentiate its products and services from those of its rivals, creating higher value for the customer or offering products and services of comparable value at lower cost” (Rothaermel, 2015) – are essential determinants of superior firm performance, which can only be sustained if the dynamics of core competencies (resources and capabilities) are able to support it. In

line with this argument, advocating for: (1). “the ambidextrous organization” – companies which “have actually been quite successful at both exploiting the present and exploring the future” (O Reilly, & Tushman, 2004); and (2). “ambidexterity as a dynamic capability” (O’Reilly, & Tushman, 2008) – seem to be one of the best answers academia has come with to the challenges of surviving “in the face of change” by successfully managing paradoxes in a complex and dynamic world.

One of the most comprehensive approaches that support the search for ambidexterity and the ambidextrous organization, while also providing valuable practical tools and instruments for operationalizing the concepts at firm level, is Reeves and colleagues’ (2013) work at the BCG on “ambidexterity: the art of thriving in complex environments”. Following the assumption that “ambidexterity is becoming an increasingly critical asset as the diversity and dynamism of business environments rise”, the authors (Reeves et al., 2013) argue that “to build ambidexterity, companies must understand the diversity and dynamism of their environment and choose and implement the appropriate approach”: (1). separation – which “is appropriate for companies facing environments that are diverse but relatively stable over time” and “involves structurally separating units that need to deploy different strategy styles”; (2). switching – in line with the changes of the company’s environment, as: “initially, an organization must deploy an exploratory style as it looks for a breakout product, service, or technology. Over time, however, it must transition to a more exploitative style in order to scale up and secure a profitable market position”; (3). self-organizing – “when a company needs to deploy multiple styles simultaneously – and the styles are changing over time; (...) here, individuals or small teams can choose for themselves which style to employ and switch between them over time; (4). external ecosystem – “when the environment is extremely diverse and dynamic and it is hard to produce the required range of styles internally; (...) companies may need to orchestrate a diverse ecosystem of external parties in order to source the strategy styles they require”.

Other significant studies providing arguments and solutions which could serve as benchmarks for the successful implementation of organizational ambidexterity and the ambidextrous organizations should also be mentioned:

On “the management of ambidexterity”, O’Reilly and Tushman (2011) have identified “that there are identifiable core mechanisms that discriminate between more-versus less-successful ambidextrous designs in action. The most-successful ambidextrous designs had leaders who developed a clear vision and common identity, built senior teams that were committed to the ambidextrous strategy and were incented to both explore and exploit, employed distinct and aligned subunits to focus on either exploration or exploitation, and built teams that could deal with the resource allocations and conflicts associated with exploration and exploitation”.

On “the way firms develop ambidexterity and can obtain superior economic performance from it”, Martini and colleagues (2015) have concluded that: “organizational context attributes influence firm’s degree of ambidexterity in knowledge creation processes, but it does not have a direct influence on the actual degree of ambidexterity in innovation development in the structural separation of exploration and

exploitation innovation initiatives. Specifically, we found that structural separation of these initiatives within the organization directly affects ambidexterity and leads to higher sales growth than when firms achieve ambidexterity through an appropriate organizational context solely”.

On “when and how exploitation, exploration, and ambidexterity affect organizational performance”, Voss and Voss (2013) have emphasized that: “(1) pure strategies that combine product exploration with market exploration or product exploitation with market exploitation have complementary interaction effects on revenue, (2) cross-functional ambidexterity combining product exploitation with market exploration also exerts complementary interaction effects on revenue, (3) product ambidexterity has positive effects on revenue for older and larger - but not younger and smaller - firms, and (4) market ambidexterity has positive effects on revenue for larger - but not smaller, younger, or older - firms. Two ambidexterity paradoxes emerge: (1) larger, older firms have the resources, capabilities, and experience required to benefit from a product ambidexterity strategy, but larger, older firms are less likely to implement product ambidexterity; and (2) only larger firms have the resources and capabilities required to benefit from a market ambidexterity strategy, but developing and sustaining market ambidexterity is necessary to drive long-term growth”.

4. Conclusions

There is no doubt that organizational paradoxes have always been present within organizations, making their impact on the strategic decision making processes; what's new nowadays is the increasing complexity of the (internal and external firm) environment, which adds new dimensions (more diversity and more dynamism) to the “paradoxes system of equations”. On the other hand, it is equally true that ambidexterity, if properly managed (as a dynamic core competence of the firm), has been proved to offer the desired outcome in terms of competitive advantage and, eventually, superior firm performance. Therefore, reaching the ambidextrous organization, although difficult and complex, will be able to provide the optimal solution for the “paradoxes system of equations”.

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