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Conflict resolution in ambidextrous environments

At the end of reviewing this Technical Note, you should be able to:

- Understand the concepts of exploitation and exploration and their relationship
- Familiarize with the concept of ambidexterity
- Understand the basic concepts of paradox theory
- Understand the methodology to identify a paradox and find a suitable operating proposal to address it

Introduction

Long-term successful organizations are becoming a rarity, and average company life is shortening at an increasing pace (Goodburn, 2015). There are many reasons for this, but the common denominator is that it is becoming harder to maintain competitive advantages in today's dynamic environment, with companies focusing on the short term adding to the shortening life trend. Firms focusing on the tactical use of competitive advantages (i.e., exploiting) and, at the same time, looking to acquire the next set of competitive advantages (i.e., exploring) are more likely to survive in the long run. In academia, the ability of a firm to exploit and explore has already been studied extensively. Some authors claim that the two activities should be undertaken sequentially (Duncan, 1976). Others propose that companies alternate between both states (Boumgarden, Nickerson, & Zenger, 2012). A significant body of research has been devoted to studying firms undertaking exploitation and exploration simultaneously; in other words, ambidextrous organizations (O'Reilly & Tushman, 2013).

Researchers have analyzed organizational ambidexterity from many theoretical perspectives, including strategy, organizational theory, dynamic capabilities, knowledge-based view,

Caso preparado por el profesor Iván Díaz-Molina del ESE Business School de la Universidad de los Andes (Chile), utilizando información públicamente disponible para servir como base en una discusión de clases, y no como ilustración de la gestión adecuada o inadecuada en una situación determinada.

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coevolutionary theory, among others (O'Reilly & Tushman, 2013). This Technical Note is focused on explaining the fundamentals of ambidexterity, the inherited tension between exploitation and exploration, and a brief description of how to resolve it.

Organizational Ambidexterity

Exploration and Exploitation

In the context of research on adaptive processes, March (March 1991) recognized that exploration and exploitation are essential for organizations and compete for limited resources. He concluded that exploitation seems to have an advantage in this competition because of its proximity to the action, clearer ties with its consequences, and, therefore, less uncertainty. exploration, in turn, had more uncertainty, longer terms, and less clarity in its implications. March also postulates that a disequilibrium between exploitation and exploration, with adaptive processes more inclined to exploitation, could become self-destructive. According to March, an organization should reach an equilibrium between exploitation and exploration in the process of adaptation.

However, what exactly are exploration and exploitation? There are no precise definitions in the body of research in this area. Gupta et al. (Gupta, Smith, & Shalley, 2006) reviewed several definitions and their main assumptions. One set of definitions focused on the learning difference between the two and whether learning exploitation followed the same trajectory as old knowledge while learning exploration followed a different path. Another group of definitions focused on the presence or absence of learning. They distinguish between exploitation as using existing knowledge and exploration as moving down a new learning trajectory. Gupta et al. (2006) concluded, consistent with March (1991), that it made more sense to differentiate exploitation and exploration based on the type and amount of learning. Piao and Zajac (Piao & Zajac, 2016) introduced the concept of repetitive exploitation (in italics in the original), repetition of existing designs for existing products, and incremental exploitation, as the creation of new designs for existing products. They define exploration as “the development of new products aimed at entering new product-market domains” (2016: 1432). The authors concluded that if firms were continuously active in incremental, over-repetitive exploitation, the dynamics underlying exploitation and exploration would become a combination of complementarity and competitiveness. If companies prioritized the former, a balance between exploitation and exploration could be achieved.

For purposes of this Note, and at the organizational level, we adopt Baum et al. (Joel A. C. Baum, Li, & Usher, 2000: 769): exploitation refers to learning gained via local search, experiential refinement, and selection of existing routines. exploration relates to learning gained through processes of concerted variation, planned experimentation, and play.”

However, the question remains, how do organizations deal with exploratory and exploitative activities.? Many solutions have been suggested to address this tension; some authors proposed externalizing either exploitative or exploratory activity by establishing alliances or outsourcing (Holmqvist, 2004; Rothaermel & Deeds, 2004). Other authors have suggested that firms cycle

between exploitation and exploration states, defined as a punctuated equilibrium model (Mudambi & Swift, 2011; 2014; Swift, 2016). Boumgarden et al. (Boumgarden et al. 2012) suggested that organizational vacillation theory, i.e., dynamical vacillation between structures to achieve high exploration and exploitation levels, on average, could achieve higher firm performance than ambidexterity in the long run. Another view is that successful organizations are efficient in their day-to-day activities and in satisfying their actual business demands while at the same time preparing for future challenges and adapting to changing environments (March 1991; Raisch & Birkinshaw, 2008; M. L. Tushman & O'Reilly, 1996). Firms with these characteristics are called ambidextrous (Gibson & Birkinshaw, 2004). Ambidextrous organizations will be the focus of this Note.

Ambidexterity, or the ability to conduct exploitation and exploration, simultaneously entails a challenge for Top Management Teams (TMT). As Levinthal and March (1993) stated, “[t]he basic problem confronting an organization is to engage in sufficient exploitation to ensure its current viability and, at the same time, to devote enough energy to exploration to ensure its future viability. Survival requires a balance, and the precise mix of exploitation and exploration that is optimal is hard to specify” (p. 105). This precise mix is hard to attain since exploration entails risk-taking, experimentation, play, flexibility, discovery, and innovation. At the same time, exploitation requires production, efficiency, selection, implementation, and execution (March 1991), and usually, these elements are juxtaposed.

TMT should develop an ambidextrous mindset, with the ability to deal with ambidexterity tensions over time and allocate resources appropriately (O'Reilly and Tushman, 2011). TMT's characteristics should be expanded to all individuals within the organization in a more advanced ambidextrous organization. So, at the individual level, TMT and any organization member face the challenge of dealing with contradictory demands (Smith and Tushman, 2005). From the perspective of this challenge's cognitive and behavioral aspects, the paradox theory could be a useful tool to sort it out (Papachroni et al., 2015).

Paradox Theory

Within organization theory, a paradox is defined as “contradictory yet interrelated elements that seem logical in isolation but absurd and irrational when appearing simultaneously” (Lewis, 2000:760). A paradox is often represented by the Taoist symbol of yin and yang, a duality that depicts two opposing elements interconnected and parts of a seamless whole.

Smith and Lewis (2011) identify four categories of paradoxes in core organizational activities, i.e., knowledge, interpersonal relationships, processes, and goals. Examples of these paradoxes are the tension between control and flexibility, between the old and the new knowledge, between the self and the other within an organization's context.

Poole and Van de Ven (1989) propose four generic ways to deal with paradoxes that refer to a specific time and place (i.e., social paradoxes), spatial and temporal separation, opposition, and synthesis. Like Poole and Van de Ven's proposal, Ford and Backoff (1988) three different ways of

dealing with organizational paradoxes: formal logic, dialectics, and trialectics. Formal logic chooses between the two options: it's an “either/or” choice. Dialectics views paradoxes as dualities, with poles in an interrelated relationship, a “both/and” choice. Trialectics postulates no conflict between the poles, and it argues for the complementary relationship of dualities.

We propose the methodology developed by Emerson and Lewis (2019) as a practical tool to deal with paradoxes. The proposed methodology is simple to use but very powerful since it identifies very clearly paradoxes from problems.

Emerson and Lewis postulate that paradoxes do not have solutions that require an “either/or” choice and coincide with the dialectics view that both elements of the situation are needed to address the paradox. They refer to these elements as “poles.” The essence of many successful negotiations is the existing tension between collaborating and competing at the same time. This paradox, simultaneously collaborating and competing between the parties, is needed to create and allocate value within the negotiation.

In this case, collaboration will be one pole, and competition would be the other pole. In their methodology, Emerson and Lewis propose a graphic display of both poles, see Figure 1, with a detailed description of each one's overuse's benefits and drawbacks. The diagonal input, i.e., pole X's benefits and pole Y's overuses, should include common elements to check for consistency. The latter should be read as: the overuses of pole Y prevent pole X's benefits.

The exercise of recognizing the paradox intends to embrace both poles as parts of the solution and develop what the authors describe as the “third way.” The strategic steps to achieve and sustain the third way should be explicitly stated and the risks associated with taking the third way to complete the exercise. Figure 2 represents the example of the negotiation and covers all the elements depicted in Figure 1¹.

¹ For in-depth consultation on Emerson and Lewis' methodology, see: Emerson, B.; Lewis, K. 2019. Navigating Polarities. Using both/and thinking to lead transformation. Paradoxical Press, Washington D.C.

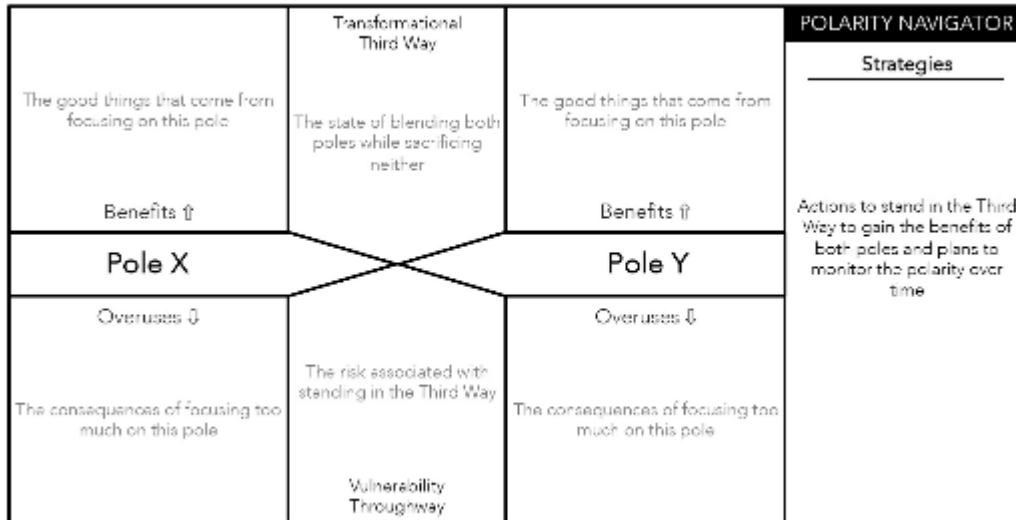


Figure 1. Graphical representation of Emerson and Lewis’ methodology (2019). It is reproduced with permission.

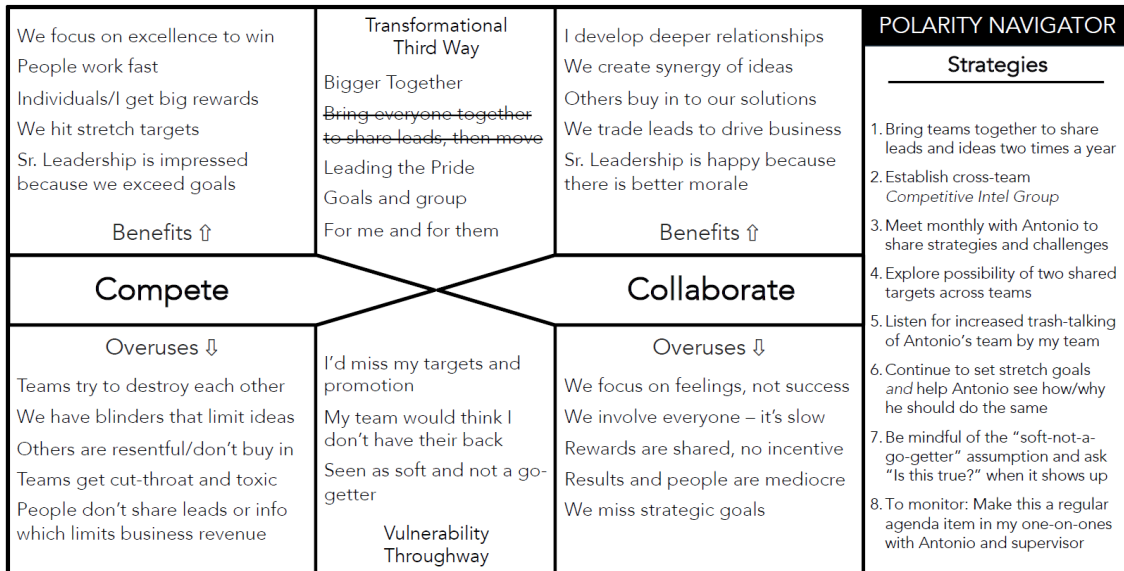


Figure 2. Example of the paradox in negotiation. Emerson and Lewis (2019). Reproduced with permission.

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