A Key to Navigate Firm along the Organizational Life Cycle: Knowing the Pattern of Temporal Ambidexterity

Dr. Mardi[1*] and Mts Arief[2]

[1] Doctor of Research in Management, Graduate Program
Bina Nusantara University, Jakarta, Indonesia

[2] Professor of Management, School of Economics
Kusuma Negara Business School, Jakarta, Indonesia

[*]*Corresponding author's email: mardiwu25 [AT] yahoo.com*

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ABSTRACT--- *There are limited knowledge on the complete temporal pattern along the organizational life cycle and the barrier that must be addressed by firms in each stage to achieve organizational ambidexterity. Temporal organizational ambidexterity is defined as a sequential pursuit of exploitation (or relative stability) in the organizations in a long period, interspersed by sporadic episodes of exploration (or change). The purpose of this qualitative study is to assess the pattern and the barrier in each stage of organization life cycle when building temporal ambidexterity. This is empirical based research using qualitative method through face-to-face in-depth interviews to six CEO of various industries and various sizes in Jakarta, Indonesia using multi-case design. The study concluded that there is a specific pattern in building temporal organization ambidexterity across their organizational life cycle, Organizations need to swiftly change their focus from exploration to exploitation depends on the stage of organizational life cycle. When organizations balancing their focus on exploration and exploitation, there are several barriers must be addressed by organizations, such as trapped in status quo for well established organizations or resources limitation in small start-up organization. The benefits of this study are to build knowledge which is beneficial for top management to balance and drive the organization in each organization phase. It is also beneficial for public institutions such as government or universities and supporting business organizations such as consultants or social business organizations to play the suitable role in each stage along the organizational life cycle.*

Keywords – temporal ambidexterity, exploitation, exploration
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1. INTRODUCTION

Organizational ambidexterity is defined as the capability in balancing the focus on exploration and exploitation in an organization. Previous literatures suggested that organizational ambidexterity can drive organizational performance (Tushman & O'Reilly, 1996; He and Wong, 2004; Lavie et al., 2011). Various studies were conducted in order to search on how to achieve ambidexterity. Lavie et al. (2010) categorized various approaches to achieve ambidexterity in four modes: organizational separation, temporal separation, domain separation, and contextual (no separation). Through a more systematic study, Simsek et al. (2009) using two dimensions (temporal and structural) to create four typologies which are harmonic (similar to contextual), cyclical (similar to temporal separation), spatial (similar to organizational separation), and reciprocal (no comparative type in Lavie et al., 2010).Although there are some papers investigated the temporal ambidexterity such as Boumgarden et al (2012), there are limited knowledge on the complete temporal pattern along the organizational life cycle and the barrier firms faced in each stage. Knowing the pattern and the barrier in each stage may assist top management to be more prepared in navigating the firm along the life cycle.

2. LITERATURE REVIEW

Organizational ambidexterity is built upon one of the main theory in strategic management, Resource-Based View. The concept of ambidexterity can be traced back to March (1991), who defined exploitation as "refinement, choice, production, efficiency, selection, implementation and execution," contrasting it with exploration, which involves "search, variation, risk-taking, experimentation, play, flexibility, discovery, and innovation". The tension between exploitation and exploration has raised the question whether they can coexist and complementary. While March (1991) considers those two activities are incompatible, however, successive researches often conceptualized exploitation and exploration as orthogonal variables that can be complementary (Gupta et al., 2006; Auh and Menguc, 2005).

Various studies were conducted to study various modes on ambidexterity. Different mode of balancing might give different impact on performance. Venkatraman et al. (2007) found that spatial separation yields a weaker effect on sales growth relative to temporal separation. In further research, Boumgarden et al. (2012) found that vacillation (temporal separation) may offer higher long run performance than (contextual) ambidexterity. However, (contextual) ambidexterity complements vacillation in enhancing performance through different mechanisms.

3. METHODOLOGY

This research is empirical research using qualitative method through face-to-face in-depth interviews to six CEO of various industries and various sizes in Indonesia. This qualitative session uses multi-case design. Respondents described their conditions of their organization where their individual perceptions and experiences will be attached in the information given by them. Respondents were asked about innovation, efficiency, the balance between both of them in their organizations, and the role of social media. The unit analysis of this research is organization across industry. It is a cross-sectional study. The interviews were taped and verbatim was transcribed. The transcribed verbatim was organized categorically, reviewed repeatedly, and continually coded by multiple coders.

The case study design is adopted in this qualitative research where it can be used to explain phenomena, not just for exploration as believed by many researchers (Yin, 2003). Case study research design is useful in many situations, including organizational context (Yin, 2003) in business environment (Ghauri & Gronhaug, 2002 in Yin, 2003). Its ultimate goal is to understand complex social phenomena and allows researchers to have meaningful characteristics of events (Yin, 2003). The single unit (holistic) multiple-case analysis will be applied by collecting cases from several interviews then cross-case conclusions will be drawn from the analysis.

Creswell (1994) suggests researcher to write his or her role in the qualitative study because it is interpretative research so biases, values, and also judgments of the researcher can influence the result. When the researcher's role is written, readers will be aware of those influences and it is considered as positive. In this research, researcher is a CEO in national private business organization with around 3000 employees. Organizational ambidexterity is adopted into the strategy where the researcher works and researcher is aware that the knowledge of implementing organizational ambidexterity influences his perception on the benefits and challenges of it. Thus this condition might influences data collection and interpretation process where the researcher is subjectively perceive organizational ambidexterity as very important to organization.

This study is conducted in Jakarta, the capital city of Indonesia, where majority of organizations reside and doing their business activities. Data was collected from March to May 2014 through an hour interview from six respondents. Since the unit of analysis is the organization, each respondent represents his/her organization. CEO is the most suitable respondent to describe the view of his/her organization regarding the strategic management issue. Dess & Robinson (1984) and Robinson & Pearce (1988) in Lutbakin et al. (2006) suggest that CEO self-reports of performance significantly correlate with some objective measures of firm performance. In this qualitative session, all respondents are in the CEO level.

Validity and Reliability

As suggested by Yin (2003), various validity and reliability can be achieved through various tactics. Construct validity is achieved by establishing chain of evidence in data collection process. In this study, the chain of evidence was provided, from the verbatim to the matrix of result. Construct validity is also strengthened by using multiple sources of evident, such as respondents' social media. Since this research concerns about the causal relationship among its constructs, internal validity is relevant. Internal validity is achieved by doing pattern-matching and explanation building in data analysis process. External validity is achieved by using replication logic in multiple-case studies, so that the findings can be generalized through analytic generalization to complete statistical generalization in previous quantitative session. Meanwhile, reliability is achieved by using case study protocol and develop database in data collection process as suggested by Yin (2003). The reliability is also increased through peer examination by two other research assistant in data analysis stage.

4. RESEARCH FINDINGS

Six different organizations are chosen for their different size and type of industry. Those six organizations are two small-size organizations (respondent A in culinary industry and respondent B in social business), two medium-size organizations (respondent C is a non-government organization in education and respondent D is a digital consulting firm), and two big-size organizations (respondent E in fast moving consumer goods industry and respondent F in print media industry).

4.1 Specific Pattern on Building Temporal Ambidexterity

According to Simsek *et al*. (2009), temporal organizational ambidexterity is defined when organizations engage in a long periods of exploitation, interspersed by sporadic episodes of exploration. Table 1 summarizes the qualitative findings on temporal ambidexterity pattern along the organizational life cycle based on the size of organization.

Table 1. Qualitative Findings on Temporal Ambidexterity Pattern

Question	Is there any different emphasize of innovation and efficiency from time to time?
Resp A (small)	Yes, first year innovation, second year efficiency.
Resp B (small)	Yes, innovation in the beginning years, then efficiency comes as a consequence of growing organization.
Resp C (medium)	Yes, in its early years focus on efficiency.
Resp D (medium)	Yes, in certain years when facing crisis.
Resp E (big)	Yes, innovation in early years, followed by efficiency, and back to innovation, and then followed by spatial ambidexterity among business units.
Resp F (big)	Yes when crisis happened, the organization will focus on efficiency instead of innovation.

Both small organization respondents started their business with innovation (exploration), and followed by effort to balancing with efficiency (exploitation). This is supported by respondent B statement from small social business. He put it in his statements as below:

> *"Unconsciously yes, we did this without doing any planning. It was all about innovation at the beginning. In the first, second, and third year, we did our innovation enormously, insanely, and in a massive way up to the point that we were known because of our innovation, but we were not efficient at all. We realized that we should be more than this because we already have our insane innovation. Therefore, we tried to re-assess at the end of 2011 and 2012, and at the end, finally we decided to make these two words – effectiveness & efficiency to become our management tagline. We must fix our effectiveness & efficiency within our company"*

This pattern is also in agreement with previous statement of respondent E that when the brand is not strong enough, competition in exploration (innovation) will be followed by exploitation (efficiency). However, to avoid harsh competition on exploitation, organization will shift back to another exploration. In addition, respondent E mentioned that when the organizations are big enough, this temporal ambidexterity will be followed by spatial ambidexterity among its business units. These shifting patterns are in agreement with Boumgarden et al. (2012). His original statements are below:

> *"Basically, innovation in a product that easily copied by competitor, or product which could not obtained their signature, this is the important time where we must do... [in this company] here we are not talking about efficiency, but more productivity. We do not talk straight about efficiency, but our key performance indicator is increasing productivity. Well, these types of products need to win, from year to year, if we do not win the class, we may do benchmarking process, but you might know this benchmarking is quite difficult to obtain the data. However, we have our improvement target how many percent each year, our productivity increase how many percent, etc."*

> *"It depends on each year theme. Actually, there is no certain pattern, but at the beginning, is all about innovation. Initially, after innovation, we get in to productivity then subsequently to the innovation again. For innovation, it actually comes from marketing department to grow the market share faster. However, the growing market share will also be followed by cost, so we need to do some fixing process & adjustment. We see that from the average, for example if this year, there were a lot innovation in beverage business units, then food business unit would be more focused on productivity / efficiency while in other unit such as distribution unit would be more focused on expansion by using innovation, and would not be concerned to productivity"*

Shifting the focus from exploration to exploitation and vice versa needs transformation. Respondent B described the transformation his organization go through to gain efficiency by putting efforts to structure and discipline his organization, as shown in his statements below:

> *"So, at the meantime, we are now increasing our chance to choose. This is our strategy to find the best man, to place the right man on the right place... Then, the structure was changing.. At the sixth year and onwards, we made a strategy which was structuring an advisory board, a system in which we used to talk, to discuss, and balancing the process because we were lacking of experiences and wisdom. That was when we build our solutions. So yes, we introduced our problem in last 2012-2013. We were very organic and were known because of our innovation. We were known not because of introducing ourselves. We never did marketing budgeting allocation but now, we are doing it with high discipline. OK, next what do we want to achieve by using that marketing budget? Do we want to make an exhibition, or placing an advertisement in Facebook, Twitter, we never do that. What we do now, what we change now are the part of our plan to achieve more and fix our production and managerial system to do our efficiency."*

In another type of transformation, respondent F told the story of transformation her organization go through when facing the maturity of the industry and the threat of digitization. The later transformation is a cultural transformation, to transform the organization become more adaptable to digital era.

4.2 Barriers on Building Temporal Ambidexterity

Based on this qualitative research, there are several barriers must be addressed when balancing process between efficiency (exploitation) and innovation (exploration) in an organization. Table 2 shows the barriers on building temporal ambidexterity in organizations.

Table 2. Barriers on building temporal ambidexterity in organizations

Question for Innovation	What were the barriers in performing <u>innovation</u> within the organizations?
Resp A (small)	Low brand awareness and product development capability
Resp B (small)	Time and resources.
Resp C (medium)	Tendency to be comfort with status quo.
Resp D (medium)	Capability of employees to adapt with changes.
Resp E (big)	Mindset of employees.
Resp F (big)	Change the mindset of employees.
Question for Efficiency	**What were the barriers in performing <u>efficiency</u> within the organizations?**
Resp A (small)	Trading-off with the quality.
Resp B (small)	Change management
Resp C (medium)	To recruit the right person
Resp D (medium)	Finding the right person
Resp E (big)	Competency and mindset of employees
Resp F (big)	Finding multitasking person

In small organization, the difficulties when they want to perform an innovation are new product development process or new ideas execution. These are due to the lack of resources and capabilities. While in the medium and bigger organization, the main barrier is the conservative mindset of employees and the lack of capability to adapt with the changing environment. Respondent A clearly stated that they feel more difficult to do an innovation process because of they are still infamous and difficult in composing products, as shown in his statement below:

> "*We are experiencing 2 different barriers in doing the innovation, first we speak about brand name, we are not yet known and then people assume that our company is not a coffee shop but a barista academy. The 2nd barrier is from the product innovation. We always stuck in composing our product*".

Still in terms of innovation, respondent B said that managing resources and time are the biggest barriers in doing their innovation, as his statement below:

> "*Time, Sir.. resources. I mean the answer for that problems will be aligned with the time we need to innovate. If we want to do it fast, we need more resource, more people, more money. But because we are now still a small organization, we cannot do anything fast, because it means we need to hire more people. Therefore, we approach our friends who are academician communities and then we give them a research problem. This is what we do because we do not need to pay them because they indeed need a research problem to do their academic research. But still, with this approach, it is difficult to arrange the time because we need to follow their timetable. So, in conclusion, the utmost barrier to answer a fast innovation is a resource.*"

All respondents emphasized the importance of efficiency. Small organizations saw it more important that innovation. The others saw it related with innovation, but had different view in how they are related. Respondent C saw efficiency comes after innovation, while respondent D saw efficiency is the root for innovation. Respondent E saw efficiency will become the base of competition after innovation for products that do not have strong brand awareness. Respondent E's view is also applied for small organizations who saw efficiency is more important after they started their business with various innovations. The barrier in efficiency is frequently associated with employee. Finding the right employee or successful change management of employee mindset is mentioned as the key for achieving efficiency. In most cases, employees are encouraged to achieve efficiency through training and incentive system.

5.   DISCUSSION AND MANAGERIAL IMPLICATIONS

Based on the findings on this research, it is suggested that an organizations needs to be aware of the organizational life cycle and build the right temporal ambidexterity. It is found that in the earlier phase of the organization, a successful organization usually focus on exploration activities. However, when the organization grows, there is a need to shift the focus to exploitation activities as the competitors emerged and imitated the innovation. The need to scale up the size of the business also drove the focus shifting from exploration to exploitation. By focusing on the exploitation activities, the firm evolved to become more structured and efficient. Finally when, the organization has reach its maturity, to avoid the declining of the business, the organization needs to shift the focus back to exploration activities to start another cycle. In addition, when crisis came, organizations tend to shift their focus to exploitation activities. The summary of this pattern to build a temporal ambidexterity is shown in Figure 1. This pattern was found by matching the pattern of temporal

ambidexterity that has been experienced by those respondents. This pattern enriches the findings by Boumgarden et al. (2012).
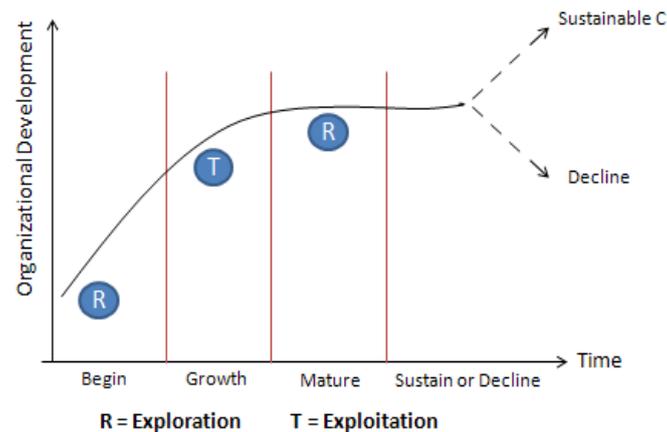

Fig. 1 Organizational Life Cycle and Temporal Ambidexterity

As mentioned by respondents in this research, the most common and important leverage to navigate this balancing effort is through managing the human resources. Recruitment becomes an important leverage for this effort. It was recommended that organizations should put more resources to look for the most suitable employee matched to the desired temporal ambidexterity in each stage. Besides recruitment, training is another leverage that can help in preparing employee to match the focus in each stage.

In building ambidexterity, small and big organizations might find different obstacles and pathways. Two major transformations in building temporal ambidexterity is when small companies have to switch their focus from exploration to exploitation, named as structural transformation, and when big organizations have to switch from exploitation to exploration, named as cultural transformation as shown in Figure 2. The first was named as structural transformation due to the nature of the change from exploration focus to exploitation focus. Exploitation needs more structured and systematic environment to gain efficiency. The second is named cultural transformation since changing to exploration focus needs cultural shift in organization to become a more innovative organization. Insights from this research may help them to prepare.
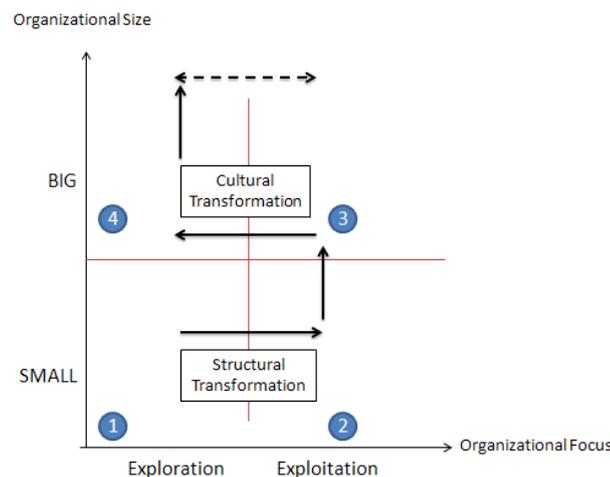

Fig. 2 Transformation in Temporal Ambidexterity

Usually, small or infant organizations start their business focusing on innovation to win the market. From this qualitative research, it was found that small organizations have to resolve resources barrier in innovation. They can collaborate with external parties to overcome this barrier. Various parties can fill this void. Social business organization can participate by increasing information flow in innovation process. Government agencies can also participate here by providing shared research centre.

Another barrier resource that often faced by small organizations is the low brand awareness of its product. Brand licensing can be the solution. However, another more profitable pathway is to build their own brands. If government concerned about small and medium enterprises development, government agencies can offer help to increase their brand

awareness directly through promotion event or indirectly through training and seminars. There is also an opportunity for social business organizations to contribute in increasing the brand awareness of small and medium enterprises through empowering entrepreneur network.

As the small organizations can overcome the barrier in exploration activities, they have to switch to exploitation focus in temporal ambidexterity. This research found that efficiency in this stage is critical for small organizations to leap to the next stage. It was recommended that building a robust system can simplify the complexity in operation management. Total quality management can be applied in this stage. ISO certification is another initiative to be considered. In this stage, idea of efficiency in exploitation usually comes from internal employee. To bring the efficiency into the next level, government can contribute in facilitating benchmarking or national quality forum to disseminate more ideas. Quality management consultants and quality system assessors can contribute in this stage.

When the organization grows bigger, the efficiency focus in exploitation becomes more established. The challenge to maintain the operational excellence in exploitation is laid on the human resources. Once again, recruitment, training, and placement are important leverages. Continuous improvement and reengineering to optimize of the operation process should be encouraged. At this stage, organizations can absorb the idea in operational excellence from their business partners such as suppliers. Organizations need to blur their barriers to increase the collaboration with the business partners. They should embed themselves with the community of expert.

At this stage, big organizations often trap into complacency and status quo. When competition increases or consumer preferences shift, organizations have to shift their operational excellence in exploitation into another wave of exploration. They often have to face barrier in employee's mindset. As big organizations have grown through time, status quo tends to establish. Suitable leadership and adaptive organizational culture are needed to overcome this barrier. The innovative way in managing innovation is also important, especially in managing idea sharing. Regular learning forum, reflective forum and internal knowledge curator are some examples found in qualitative session. The role of CEO in driving this change is important in this change management. In summary, big organizations need to develop agility in its culture. Summary of all these leverages in each stage is presented below in Figure 4.
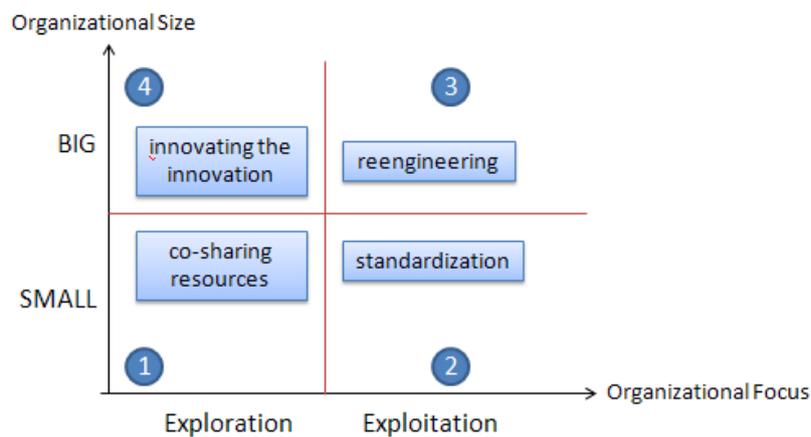

Fig. 4. Leverages in Ambidexterity

6. CONCLUSIONS

Temporal ambidexterity along business cycle has certain pattern. Usually, start-up business succeeds in its early years through innovation (exploration activities). As its innovation imitated by competitors, it is forced to also concerns about efficiency (exploitation activities). The theme will shift back to innovation to look for another source of growth. In certain case, when crisis comes, it will be forced to focus back to efficiency.

In the small organization, the utmost barriers is the difficulty in making new product or executing new ideas because lack of resources and capability. In the medium and big organization, the main barriers are the conservative mindset of employees and the lack of capability to adapt to change. This knowledge is beneficial for top management to drive the organization to the right balance in each phase through the right strategic initiatives. It is also beneficial for public institutions such as government or universities and supporting business organizations such as consultants or social business organizations to play the suitable role in each stage along the organizational life cycle.

7. ACKNOWLEDGMENT

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