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Impact of Strategic Ambidexterity on Organizational Success: Strategic Scenario as Moderating Variable

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Abstract

The primary objective of the present study is to provide the deeper insights into one of the emerging paradigm of strategic ambidexterity and to explore possible relationship between strategic ambidexterity and organizational success in recent competitive milieu. This study is conducted to probe the moderating impact of strategic scenario on the relationship of strategic ambidexterity and organizational success. The study is carried out by collecting data through structured questionnaire, the questionnaire was adapted from Gibson & Birkinshaw (2004), Wulf, Christian, and Meissner (2010) and Ilyas and Rafiq (2012). This study explains the strategic ambidexterity and its role for organizational success. Researcher have discussed the effectiveness of strategic ambidexterity for organizational success in the context of Iraq.

Keywords: Strategic Ambidexterity, Organizational Success, Strategic Scenario, Organizational Success.

Introduction

Currently, there has been the area of increasing interest in strategic ambidexterity by the researchers and practitioners. Tushman & O'Reilly (1996) described that ambidextrous organizations are proficient in exploiting current competencies alongside exploring prospective opportunities with similar dexterity. There is no agreement of the definition of strategic ambidexterity in the literature, however O'Reilly and Tushman (2013) explained Strategic ambidexterity as, *"The ability of an organization to both explore and exploit—to compete in*

mature technologies and markets where efficiency, control, and incremental improvement are prized and to also compete in new technologies and markets where flexibility, autonomy, and experimentation are needed” (p. 324).

Strategic ambidexterity means to pursue exploitation and exploration simultaneously (He and Wong, 2004). March (1991) proposed that organizational learning is often associated with exploration (innovation) and exploitation (efficiency), it is important to mention that March (1991) presented these concepts as apposing and incompatible. But later in successive research studies repeatedly reported conceptualized of exploration and exploitation as orthogonal variable that can even be complementary in nature (Auh and Menguc 2005; Gupta, Smith, & Shalley, 2006). According to March’s perspective on organizational learning the balance between exploration and exploitation is difficult due to some very obvious factors such as, Speed of innovation, Changes in the environment, Ambiguity of choice, organizational memory and nested systems. Figure No. 1 is indicating the various activities/tensions between exploration and exploitation.

THEME	ANALYTICAL LEVEL	EXEMPLIFIED TENSION	CONCEPTUAL PERSPECTIVES	SELECTED REFERENCE
Strategy Process	Strategy Formation	Deliberate ↔ Emergent	Strategic Planning vs Strategic Incrementalism	Mintzberg and Waters (1985)
	Strategic Chance	Revolution ↔ Evolution	Discontinuous Renewal vs Continuous Renewal	Christensen and Raynor (2013)
Strategy Content	Firm Level	Explore ↔ Exploit	Organizational Ambidexterity	March (1991)
		Commitment ↔ Flexibility	Path Dependence, Strategy As Real Options	Ghemawat (1991)
	Industry Level	Competition ↔ Collaboration	Discrete Organization vs Embedded Organization	Brandenburger and Nablebuff (1995)
		Heterogeneity ↔ Isomorphism	Resource-Based View vs Institutionalism	Peteraf (2003), Dimaggio and Powell (1983)
Strategy Purpose	Organizational Purpose	Optimization ↔ Satisfaction	Shareholder Value vs Stakeholder Value	Doyle (1994)

Figure 1: Tensions between Exploration and Exploitation
Source: Dewit & Meyer (2010)

However, Gibson and Birkinshaw (2004) identified that strategic ambidexterity can exist in any organization in multiple forms; they further explained that strategic ambidexterity can be divided into two type’s contextual ambidexterity and structural ambidexterity. Birkinshaw and Gibson (2004, p. 55) further added that “contextual ambidexterity is not an alternative to structural ambidexterity but rather a complement” Gibson and Birkinshaw (2004, p. 210) interpret contextual ambidexterity as significantly different from the paradigm of structural ambidexterity as at emerge from the contribution of Duncan (1976). Table 1 is depicting the comparison of

contextual ambidexterity and structural ambidexterity as per interpretation of Gibson and Birkinshaw (2004).

Table 1: Comparison of Contextual Ambidexterity and Structural Ambidexterity

Parameters	Structural Ambidexterity	Contextual Ambidexterity
How is the ambidexterity achieved?	Adaptability and alignment centric activities are performed in teams or separate units	Individual employees split their efforts and time among adaptability and alignment focused tasks
Decision regarding the division of alignment and adaptability are made?	At top level of the organization	This decision is made at the frontline by office workers, sales people and employees like plan supervisors.
Role of the top management	The top management is responsible for the establishment of structure and to decide tradeoffs between adaptability and alignment	To develop and cultivate the organizational context for Ambidexterity.
Nature of role	Relatively clearly explained, defined and communicated	Moderately flexible
Required Skills of employees	More specialists	More generalists

Source: Birkinshaw and Gibson (2004)

Research literature ambidexterity does not limit itself on contextual ambidexterity and structural ambidexterity only, there are many other aspects of strategic ambidexterity reported and concluded in the literature (O'Reilly and Tushman, 2013; Raisch and Birkinshaw, 2008 & Simsek et al., 2009) reported that ambidexterity has many aspects like contextual ambidexterity, harmonic ambidexterity, structural ambidexterity, partitional ambidexterity, simultaneous/structural ambidexterity, leadership-based ambidexterity, cyclical ambidexterity, sequential ambidexterity, innovation ambidexterity and reciprocal ambidexterity.

In this research we focused on the role of strategic ambidexterity as general on organizational success and analyzed the moderating role of strategic scenario. The contradictory findings in previous literature instigate the authors to study the role of strategic ambidexterity on organizational success in cement industry of Iraq. Moreover, the factors influence the relationship of strategic ambidexterity and organizational success were the focus of preceding researches. Therefore, this study was more focused on analyzing the moderating role of strategic scenario especially in production sector in Iraq. In this way this study aims at contributing to the existing knowledge by verifying the importance and the role of strategic ambidexterity and its impacts on organizational success in a new geographical area which is neglected by researchers.

The remaining part of the paper is divided into several sections; following section provides insight into the existing literature on strategic ambidexterity and its impact on organizational success. The next section of the paper is about the methodology and research framework adopted for this paper along with the development of hypothesis. Section four of the paper is designated to the results and discussion and implications that can be drawn from the current study. Followed by the section on recommended direction for future research studies is also deliberated and concludes the current study.

Literature Review

Duncan (1976) coined the term strategic ambidexterity in 1976, with premise that the organizations should be adoptable for any change in their structure in order to enable itself for any innovation and change. O'Reilly and Tushman (2013), investigated and found out the impact of strategic ambidexterity on organizational success, higher survival rate and innovation has been significant under vulnerable conditions. Furthermore, Cao, Gedajlovic & Zhang, (2009) confirmed that ambidextrous organizations appear to depict success and competitiveness. Several research studies have widely confirmed that strategic ambidexterity has a positive impact on improving the organizational success (Gibson and Birkinshaw 2004; He and Wong 2004; Wang and Rafiq 2014). Recently, in a meta-analysis of strategic ambidexterity and its possible impact on organizational success, Junni et al (2013) reported that in order to gauge the impact of strategic ambidexterity on organizational success, there is a need to investigate multiple factors, they also proposed that future research studies should shift their focus from the investigation of impact of strategic ambidexterity on organizational success towards more comprehensive understanding on how and when strategic ambidexterity impacts on success by enhancing the range of variables and moderators under examination. Though, within the focus of prevailing research, indication of the association between organizational success and strategic ambidexterity is still weak (Lavie & Rosenkopf, 2006). However, Auh and Menguc (2005) measured market share, profit and sales growth and found that a positive association between strategic ambidexterity and firm's success. Van Looy, Martens, & Debackere, (2005) argued that strategic ambidexterity produces long term benefits rather than immediate profit maximization.

Raisch and Birkinshaw (2008) concluded that strategic ambidexterity in gaining place in organizational theory as a new research paradigm. There several trends has been notices in the research of strategic ambidexterity (Birkinshaw, Gibson, 2004). Raisch, Birkinshaw, Probst, and Tushman, (2009) highlighted that there are several tensions in the research of strategic ambidexterity, these tensions are; internal vs external; differentiation vs integration; organization vs Individual; Dynamic vs static. Please see figure No. 2 for the pictorial representation of the idea.



Figure 2: Tensions in Literature on Strategic ambidexterity
Source: Raisch, Birkinshaw, Probst, Tushman, (2009)

Christensen (1997) highlighted that there is a great emphasize in ambidexterity and proposed that there are some conditions and prerequisites that are essential for the nourishment;

1. A persuasive strategic determination and intent to acknowledge the importance of exploitation and exploration.
2. An expression of shared values and vision that can provide common identity among all exploratory and exploitative units
3. A team that take the ownership of strategy and fare reward system which is well communicated.
4. Separate as well as aligned organizational structure which is well integrated both at strategic and tactical levels.
5. The capacity and commitment of the leadership to endure and resolve the challenges and issues arising due to multiple alignments.

The present study aimed at investigating the possible moderating effect of strategic scenario in terms of political and economic factors in Iraq. The efforts to explore the relationship among organizational success and organizational behaviors are the key research agenda since 1960s (Whipp, 1996). Organization behaviors and strategic scenario are classified in terms of political and economic factors for the purpose of current study. It is imperative to mention here that the both political and economic factors are external factors and organizations have limited control of these factors, the best strategic option that a firm can exercise is to forecast and devise remedial measure and contingency plans in order to cope with the external developments that can have an impact on the organizational success. Additionally, strategic scenario has widely been measured through two dimensions political factors and economic factors (Wulf, Christian, and Meissner, 2010).

Strategic Ambidexterity and Organizational Success

Strategic ambidexterity has two widely accepted dimensions; contextual ambidexterity and structural ambidexterity, which are different in very essence as compare to each other. Gibson and Birkinshaw (2004) defined the concepts of strategic ambidexterity as “*an interplay of system capacities for alignment and adaptability that simultaneously permeate an entire business unit and rely on the behavioral capacity of the organization to accomplish this task successfully*”. They further added that strategic ambidexterity can be observed as more sustainable model as

compare to structural ambidexterity due to the facts strategic ambidexterity helps in adopting to the entire organization as single unit.

Gibson and Birkinshaw (2004) proposed four foundations as antecedents for strategic ambidexterity, trust, discipline, support and stretch. Ghoshal and Bartlett (1994) did not argue explicitly that these strategic features will develop the capacity for strategic ambidexterity. Rather, they described discipline, stretch, support, and trust as engendering individual-level behaviors that result in initiative, cooperation, and learning. But according to Ghoshal and Bartlett, individuals take these actions of their own volition. A context does not dictate specific types of action; rather, it creates a supportive environment that inspires an individual to do "whatever it takes" to deliver results (p. 213).

Raisch & Birkinshaw, (2008) identified that generally there is a limited research on strategic ambidexterity, however the distinction of contextual ambidexterity and structural ambidexterity. The research on strategic ambidexterity and its positive impact of organizational success has shown varied results in the past. He and Wong (2004) reported that a very significant relationship between strategic ambidexterity and organizational success, while some of the studies showed that the impact is conditional and subject to environment (Lin, Haibin, & Demirkan, 2007). Venkatraman, Lee, and Bala (2006) reported that there is no link between strategic ambidexterity and organizational success. It is imperative to mention that Yang & Atuahene-Gima (2007) concluded that strategic ambidexterity has a negative impact on the success. These varied types of results, findings, and conclusions are predominant cause for the present research study and try to investigate and explore the positive and favorable relationship among strategic ambidexterity and organizational success. Raisch and Birkinshaw (2008) proposed a comprehensive framework for comprehension and understanding of strategic ambidexterity and its various aspects. Figure No. 3 is showing the proposed model.

Based on the above-mentioned literature and discussion following are the hypothesis that are proposed.

H1: strategic ambidexterity has a positive relationship with firm's success in Iraqi General Cement Company.

H2: Strategic Scenario has a moderating effect on the relationship of strategic ambidexterity in Iraqi General Cement Company.

Figure No. 3 Framework of Strategic Ambidexterity

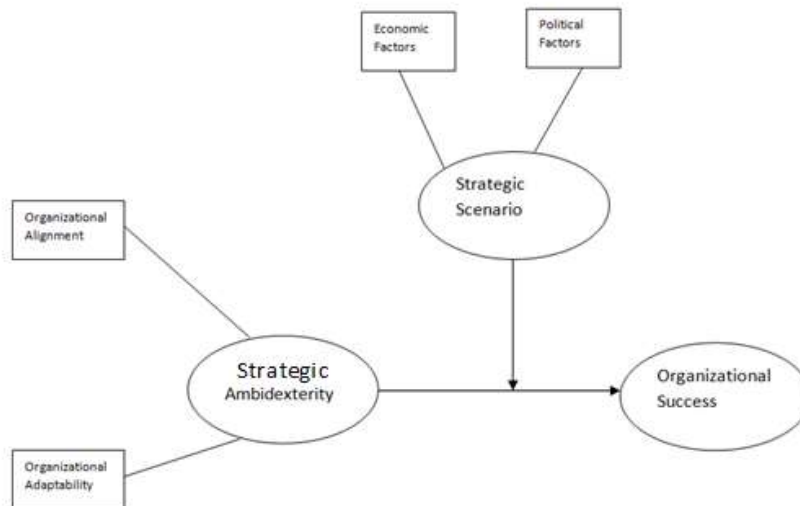


Figure 3: Conceptual Framework

Methodology

The study emphasized to investigate the relationship of strategic ambidexterity with organizational success considering the moderating role of strategic scenario. A case study method was adopted in this study to analyze the proposed framework. The data were drawn from top and mid-level managers of Iraqi General Cement Company. Two cement plants of Iraqi General Cement Company were selected for this study (Kufa cement plant and Najaf cement plant in Iraq). The strategy of the case study has been put forth meticulously being the fundamental way to carry out empirical research and this is for sure also got applied in other various scientific disciplines as well. Smith (2010) came up with the view that case study sets itself apart from other approaches as it goes ahead while investigating concurrent series of phenomena along with context that prevails in real life and it became even more important whereby boundaries that exist between context and phenomena seems vague.

Instrument and Data Collection

The questionnaire technique was adopted to collect data from the respondents. The questionnaire was adapted from Gibson & Birkinshaw (2004), Wulf, Christian, and Meissner (2010) and Ilyas and Rafiq (2012) which contains questions on three variables of questions named as strategic ambidexterity, organizational success and strategic scenario. Strategic ambidexterity was measured through two of its dimensions called organizational alignment and organizational adaptability (Gibson & Birkinshaw, 2004). Strategic scenario was measured through two dimensions political factors and economic factors (Wulf, Christian, and Meissner, 2010). The final variable organizational success contains 7 items taken from Ilyas and Rafiq (2012). All the responses were recorded on a 5-point likert scale mentioning 1=strongly disagree, to 5= strongly agree. Data was collected from top and mid-level managers of Iraqi General Cement Company. Purposive sampling technique was adopted to identify the appropriate respondents who have relevant knowledge and experience. In total, 80 questionnaires were distributed among respondents, where 40 questionnaires were distributed among the employees of each plant

(Kufa and Najaf). The follow up of questionnaire were made through emails and telephone. All the responses were collected the time of four (4) weeks. In total, 76 questionnaires were returned from respondents where 40 were received from Kufa cement plant and 36 returned from Najaf cement plant. After a thorough analysis of returned questionnaires, 72 questionnaires were selected for further analysis and 4 questionnaires stand invalid.

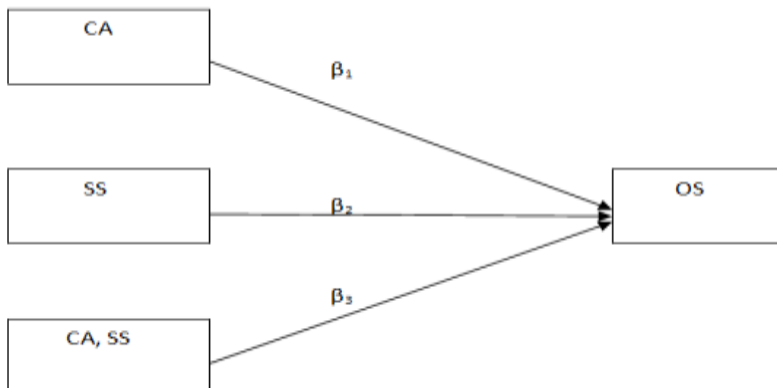
Data Analysis and Discussion

The data analysis was started with the measurement of reliability of instrument. Cronbach's alpha was calculated to check the internal consistency of responses. Table 2 illustrates that all the variables and corresponding dimensions are under the standard value of 0.60 (Nunnally, 1978).

Table 2: Reliability Analysis

Variables	Cronbach's Alpha	No of Items
Strategic Ambidexterity	0.93	7
Alignment	0.92	4
Adoptability	0.95	3
Strategic Scenario	0.87	10
Political Factors	0.88	4
Economical Factors	0.89	6
Organizational Success	0.91	12

Furthermore, the proposed framework was tested and analyzed by applying regression analysis. The regression analysis were applied in three steps as discussed by (Baron & Kenny, 1986). The path diagram is explained in the figure 4. Furthermore, econometric model is presented in equation 1.



Equation 1: Econometric Model

$$OS = \beta_1 CA + \beta_2 SS + \beta_3 CASS + \epsilon$$

Where;

CA = Strategic Ambidexterity

SS = Strategic Scenario

OS = Organizational Success

β_1 Through β_2 = Beta Coefficients

ϵ = Error Estimation

Table 3: Regression Results

Path	Coefficient	P-Value
CA \longrightarrow OS	0.32	0.01
SS \longrightarrow OS	0.21	0.05
CASS \longrightarrow OS	0.15	0.01

The In the first step organizational success was regressed against strategic ambidexterity. In Table 3 it is shown that $\beta_1=0.32$ at 0.01 significance level. The results confirm the hypothetical assumption that strategic ambidexterity positively effects the organizational success in Iraqi General Cement Company. In second step the impact of strategic scenario on organizational success was measured to fulfill the assumption of moderating variable. The beta coefficient $\beta_2 = 0.21$ while in third step a combine impact of strategic ambidexterity and strategic scenario is measured on organizational success. The value of β_3 is 0.15 at 0.01 level of significance which illustrate that strategic scenario moderated the relationship of strategic ambidexterity and organizational success.

This study explains the strategic ambidexterity and its role for organizational success. Researcher has discussed the role of strategic ambidexterity for organizational success in the context of Iraq (Adler et al., 2009). However, there is a dearth of literature on how strategic ambidexterity affects the organizational success in particular strategic scenario. This study contributes to the literature to explain the role of strategic ambidexterity in particular strategic scenario. This study also contributes to the literature on the measurement of strategic ambidexterity and magnitude on organizational success under strategic scenario.

Conclusion

The study aimed to look inside the strategic ambidexterity and its role for organizational success. The previous researches have focused to explain the relationship of strategic ambidexterity with organizational success while this study is unique to explain the role of factors influence the relationship. Strategic scenario has considered measuring the moderating impact on the framework of strategic ambidexterity and organizational success. Additionally, strategic scenario was classified in terms of political and economic factors. This study was conducted into the special circumstances of Iraqi General Cement Company. For this purpose, two cement plants Kufa and Najaf were targeted to collect data. Therefore, this study has a limitation due to sampling methodology. The results of this study revealed that strategic ambidexterity has a positive association with organizational success while strategic scenario has a moderating role on the relationship of strategic ambidexterity and organizational success. Finally, this study

aimed at enhancing the existing literature by opening new endeavors that strategic factors may influence the role of strategic ambidexterity for organizational success.

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