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FORMATION OF CONTEXTUAL AMBIDEXTERITY IN MIDDLE-SIZED COMPANIES

PhD dissertation

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2017

Tables

Figures

1. INTRODUCTION

Successful organizations are aligned and efficient in the present and adaptive enough to future opportunities, but being able to exploit current competencies, products, technologies and markets while simultaneously exploring new ones is complex managerial challenge [Birkinshaw & Gibson, 2004; Duncan, 1976; Levinthal and March 1993; March 1991; Tushman & O'Reilly, 1996]. Duality and discrepancy are characteristics of ambidexterity that require balance between the conflicting and paradoxical activities of exploration and exploitation, concentrating on both future and present, and maintaining innovation and efficiency in one structure, all of which are essential for long-term survival and growth. Organizational ambidexterity, as an organizational theory, is one of the most active fields in strategic management literature. Little, however, is known about its evolution.

Different aspects have emerged in the past 20 years to suggest how an organization can balance exploration and exploitation: for example, through structural or temporal separation [e.g. Tushman & O'Reilly, 1996], outsourcing specific activities or building up strategic alliances [e.g. Kauppilla, 2010], being ambidextrous simultaneously or cyclically [e.g. Lavie & Rosenkopf, 2006], or developing an organizational context which encourages individuals to divide their time and resources between the two contradicting activities [e.g. Gibson & Birkinshaw, 2004]. These tensions have dominated the study of ambidexterity, but recent research has revealed complementarities between these different paths: contextual ambidexterity is a complement of structural, and context integrates management systems, processes and styles [O'Reilly & Tushman, 2013]. Companies use different combinations of these solutions and change their focus and configuration over time [e.g. Chen & Katila, 2008; Kauppilla, 2010; O'Reilly & Tushman, 2013]. To conclude, environmental circumstances, path dependencies and internal capabilities shape how an organization can become balanced and ambidextrous in different growth phases [e.g. He & Wong, 2004; O'Reilly & Tushman, 2011].

I identified several research gaps based on the most comprehensive typologies in the field [Lavie, Stettner & Tushman, 2010; O'Reilly & Tushman, 2013; Raisch & Birkinshaw, 2008; Simsek et al. 2009]. Organizational context, or the complex combination of "hard" and "soft" management tools used in the organization, can

shape and modify individual and organizational behavior, to find a balance between short-term exploitation and exploration activities that will become profitable in the longer term. According to the literature, the current definition of organizational context is quite crude and unformed [Gibson & Birkinshaw, 2004; Güttel & Konlechner, 2009; O'Reilly & Tushman, 2013, Simsek et al., 2009]. Its key drivers are still unknown, as is the role of managers in the process of developing an organizational configuration that can enable the firm to create or re-establish balance between exploitation and exploration [Güttel & Konlechner, 2009].

Furthermore, ambidexterity, especially its structural and leadership aspects, is well-researched in multinational enterprises, but little is known about how it develops in single business units or middle-sized companies, especially growth-oriented ones [Adler et al., 1999; O'Reilly & Tushman, 2013; Raisch & Birkinshaw, 2008; Siggelkow & Levinthal, 2003; Simsek et al., 2009]. The majority of previous research examined mature, multinational companies showing ambidextrous operations [O'Reilly and Tushman, 2013; Raisch & Birkinshaw, 2008; Simsek et al., 2009]. I seek answers for two questions in my research. First, I would like to understand the most important elements of the organizational context in ambidextrous organizations, because I would like to contribute to the literature with a more detailed definition of context and complement previous researches [i.e. Güttel & Konlechner, 2009]. Second, I would like to examine the process how ambidexterity evolves and develops in earlier stages of growth [Raisch & Birkinshaw, 2008].

In line with recommendations from the field's key scholars, I would like to examine these questions using qualitative methodology on the sample of fast growing middle-sized companies which explicitly pursue explorative and exploitative activities at the same time. The reason for this methodological choice is that literature suggests researchers in this domain need to apply a more in-depth, qualitative methodology focusing on change processes and not on glimpses into a corporate's life [Birkinshaw et al., 2014; O'Reilly & Tushman, 2013; Raisch & Birkinshaw, 2008; Raisch et al., 2009; Simsek et al., 2009]. By contrast, organizational ambidexterity literature concentrates for the most part on static configurations of mature, large corporations.

My research would like to explore the formation process of ambidexterity in middle-sized companies and provide a more detailed definition of organizational context,

therefore I formed the following research question: *The presence or the absence of what intentional, organizational, control, leadership and cultural elements will support or obstruct the development of ambidextrous organizational context in middle-size corporations?* I assume, that young firms tipically pursue contextual ambidexterity, because the organization is too small to create structurally separated units. But according to Birkinshaw and Gibson [2004], I don't interpret this aspect as concurring but a complementary construct to structural and leadership-based ambidexterity. Based on the literature, I formed two assumptions:

1. The more the organizational context contains developed strategic, organizing, control, leadership and cultural management tools, the lower the perceived level of organizational tensions and contradictions is [Birkinshaw & Gibson, 2004; Flamholtz & Hua, 2002; Ghoshal & Bartlett, 1994; Gibson & Birkinshaw, 2004; Güttel & Konlechner, 2009].

2. The more the organizational context contains developed strategic, organizing, control, leadership and cultural management tools, the higher level of ambidexterity the organization can achieve [Birkinshaw & Gibson, 2004; Gibson & Birkinshaw, 2004; He & Wong, 2004].

It's important to state these assumptions, because not every firms with developed organizational context are ambidextrous, but ambidexterity can't be achieved without high-level management tools. Without sophisticated management systems, the organizations can't handle the naturally emerging tensions and conflicts.

My research will apply Gibson and Birkinshaw's [2004] contextual ambidexterity approach, Ghoshal and Bartlett's [1994] definition of organizational context and Dobák and Antal's [2010] management functions as theoretical fundamentals. I do not interpret ambidexterity as a self-serving state naturally given to managers or the highest level of management and organizing. Ambidexterity is an important condition for long-term growth, which is hard to achieve and maintain for managers [Birkinshaw & Gupta, 2013]. During the lifecycle of a company, managers' responsibility is the continuous and ongoing pursuit of balance between the efficient exploitation of current opportunities and the exploration of new ones. In my interpretation, ambidexterity is the challenge to find balance between these two, basically different kind of growth. But it's not likely, that an organization have to face with this contradiction in every period in its lifecycle. Conversely, it's highly

probable that difficult management situations or growth crises will emerge, when managers definitely must be able to handle this duality. Nowadays, when Hungarian firms face the challenge of generational change, international competitiveness and the need for being effective, productive and innovative at the same time, these questions become more and more important also from a practical point of view. A whole generation of entrepreneurs who started their business after the regime change in 1990 are forced to handle somehow the constant collision of new and old cultural values, management tools, technologies and consumer behaviors, if they want to maintain the success of their businesses. My research would like to contribute to this problem on theoretical and practical level as well. My thesis introduces a possible process of organizational transformations that can enable firms to maintain efficiency and become innovative at the same time. I believe that this problem is actual for the practice as well, because if leaders mismanage these challenges, growth will be challenged by itself. The constantly increasing complexity and size will make previously successful organizational contexts obsolete and create self-generating growth crises. Managers' main responsibility is therefore to understand and perceive the situation correctly and accomplish the required transformations by creating new organizational contexts.

It's important to note what I wouldn't like to examine in my research. I do not want to focus on identifying typical ambidexterity configurations and tensions found in the literature (structural separation or integration, simultaneous or cyclical ambidexterity, organizational or individual capability [Raisch et al., 2009]. Based on recent research, other factors, including industry, current position in growth life cycle, path dependencies, development level, competition and other unknown factors strongly define how the organization can find balance. I wouldn't like to examine already ambidextrous organizations and define personal characteristics, behavior patterns, roles, styles and skills.

In my thesis, I introduce the roots, antecedents and related literature streams of organizational ambidexterity, to identify the boundaries of my research. I give an overview of the subdomains of ambidexterity and present in detail the contextual approach. In the next chapter, I introduce my interpretation of ambidexterity and organizational context, because context is still only roughly defined in the literature. I therefore intend to make it more tangible and measurable by interpreting Ghoshal

and Bartlett's [1994] factors as the basic management functions of Dobák and Antal [2010], including strategy and targets, control, organizing and leadership and motivation. I highlight the gaps in the literature and the methodology that I will use. In the next chapter I introduce the results of my five case studies. During the analysis, I compare the case studies and specify the most important phases and most critical turning points of the companies' lifecycle and interpret the effect of managers' decisions on firm performance. In the next chapter I describe in detail the five phases of the formation process of organizational ambidexterity and provide a more detailed definition for organizational context. In the last chapter I conclude my results.

2. ORGANIZATIONAL AMBIDEXTERITY AS A RESEARCH DOMAIN

2. 1. Antecedents of Organizational Ambidexterity

Organizations face continuously accelerating macro-, industrial- and micro-level environmental changes that challenge them to become dynamic and adapt properly to the turbulent and heterogeneous context [Balaton et al., 2014; Balaton & Tari, 2014; D'Aveni, 1994; Mészáros, 2010; Szabó, 2008]. A central concern of corporate strategy is the constraint of making definite choices about how much to invest in different types of activities. To achieve long-term prosperity, it is essential to continuously adapt to external threats and opportunities and respond with innovations and structural alignments. In stable environments, this requires "mechanistic management systems", and under turbulent circumstances, organic systems are necessary [Burns & Stalker, 1961; Schumpeter, 1934; Tushman & O'Reilly, 2002]. But there aren't any markets that are stable forever; change is inevitable. There is an interdependence between the key activities. Without exploiting existing business models, organizations cannot afford to invest in the future and sustain stability and steady performance. Burgelman [1991] called attention to the paradox between the adaptation to existing environmental circumstances and preparing for future changes. He stated that concentrating on the present reduces the ability to prepare for challenges in the future. In this chapter, I will briefly introduce the fundamental elements of organizational ambidexterity as the theoretical background of my thesis: a construct addressing the paradox of balance between the antagonistic activities of exploration and exploitation.

A recurring theme in organizational literature is that successful organizations in a dynamic environment are ambidextrous: they are aligned and efficient in the present, but able to adapt to future changes [Birkinshaw & Gibson, 2004; Duncan, 1976; Tushman & O'Reilly, 1996]. Long-term success depends on the organization's ability to exploit its current capabilities while simultaneously exploring fundamentally new competencies, products, technologies and markets [Levinthal & March 1993, March 1991]. An appropriate balance between exploration and exploitation is necessary for a firm to be both competitive in mature markets and innovative in emerging ones [Tushman & O'Reilly, 1996]. The capacity to pursue

these two contradictory objectives simultaneously, namely being both cost-effective and productive, explorative and flexible at the same time, is called ambidexterity [Smith & Tushman, 2005].

March's [1991] argument in his seminal work was that successful organizations are ambidextrous. This contributed to a general shift in organizational research to understand and perceive this issue as a paradox [Eisenhardt, 2000; Gavetti & Levinthal, 2000; Lewis, 2000], and not a trade-off that is impossible to resolve [Hannan & Freeman, 1977; McGill, Slocum & Lei, 1992].

Organizational ambidexterity's fundamental premise is that strategic decisions are to some degree always in conflict, and managers are therefore forced to handle trade-offs. These paradoxical decisions are extremely difficult to make [Zoltayné, 2002]. Previous scholars found it hard to conceptualize how an organization could combine short-term efficiency and long-term efficacy, because these two domains were based on different competences [Christensen & Overdorf, 2000; Benner & Tushman, 2003]. Earlier studies often described the trade-offs between these two activities as insurmountable [Hannan & Freeman, 1977; McGill, Slocum & Lei, 1992]. Porter [1996], for instance, argued that low-cost-production and product differentiation were not compatible and combinable strategies, and suggested that organizations had to make explicit choices.

By contrast, the literature on organizational ambidexterity argues that trade-offs can never entirely be eliminated, but that to enhance long-term competitiveness and growth, organizations should reconcile them as far as possible, instead of focusing on one or the other [Gibson & Birkinshaw, 2004; March, 1991]. The ambidextrous organization achieves balance between alignment and adaptation by developing dual structures [Duncan, 1976; Tushman & O'Reilly, 1996] or ambidextrous organizational context [Gibson & Birkinshaw, 2004], to reconcile the conflicting demands for exploration and exploitation. Although there are differences between the subfields of ambidexterity literature, they agree that ambidextrous organizations are likely to have superior performance. Large-scale empirical studies provided evidence of the generally positive association between organizational ambidexterity and firm performance [e.g. Gibson & Birkinshaw, 2004; He & Wong, 2004; Kouropalatis, Hughes & Morgan, 2012; Lubatkin et al., 2006]. On the contrary, as environmental complexity becomes higher, ambidextrous organizations will encounter additional

organizational costs than more focused organizations, as the advantage from ambidexterity emerges only in longer timeframes [Looy, Martens & Debackere, 2005].

2. 1. 1. Balance Between Contradictory Activities

Markets allocate resources efficiently to their short-term best use, whereas firms should have the capacity and managerial competence to transform them into outputs that have the potential to create new value in the long term [Birkinshaw & Gupta, 2013]. Birkinshaw and Gupta [2013] therefore suggested that firms have to seek to achieve some form of ambidexterity to manage the tensions and contradictions between the two different learning activities: exploration and exploitation. March [1991] described these competing activities as self-reinforcing patterns of learning and stated that while not impossible, it is extremely difficult to overcome these path dependencies and find balance between them. Exploration requires search, discovery, experimentation, risk-taking and innovation, while exploitation consists of behavioral patterns characterized by refinement, implementation, efficiency, production and selection [Cheng & Van de Ven, 1996, March 1991]. The key issue in ambidexterity is the quality of management and not its existence per se, because top managers are the only decision-makers able to make trade-offs among these competing objectives and reduce the organization's tendency to follow the easiest route [Birkinshaw & Gupta, 2013].

Ambidexterity is hard to achieve, because managers should make thoughtful trade-offs shaped by self-reinforcing routines, short-term interests and unseen factors to decide whether present benefits should be sacrificed for future success [Ghoshal & Bartlett, 1994; Crozier, 1964; March, 1991; Prahalad & Bettis, 1984; Smith & Lewis, 2011]. This trade-off is the central premise of March's [1991] framework, which sets out that managers' decision-making is distracted by self-reinforcing routines, temporal contradictions and limited resources. Although both activities are critical for long-term survival and growth, they are fundamentally different logics that compete for the same scarce resources. This limited resource availability constrains firms to favor one type of activity over the other, which results in the firm becoming trapped [March 1991, Levinthal & March 1993].

2. 1. 2. Long-Term Effects of Focus: The Traps of Exploration and Exploitation

Theoretically, organizations should trade off short-term efficiency and profit for long-term innovation to create prospective opportunities, instead of investing only in short-term productivity [March, 1991]. The returns from exploration are, however, less certain, more variable and more remote. The probability that they will occur, and the direct effect of current actions on future opportunities are less tangible and perceptible [March, 1991]. The returns associated with exploitation are more certain, tangible and immediate. Without investing in exploration of new knowledge and market opportunities, however, organizations cannot ensure their future prosperity. Allocating excessive amounts of resources to the incremental development of existing technologies and processes leads to immediate reliability, effectiveness and productivity, but increases the risk of becoming obsolete in the future [Chesbrough & Rosenbloom, 2002; Holmqvist, 2004; Leonard-Barton, 1992].

A focus on stability creates structural inertia, making it difficult for the organization to adapt to environmental threats and new opportunities. Too much experimenting, however, reduces the speed at which existing competencies are refined [Hannan & Freeman, 1977, 1984; Lewin, Long, & Carroll, 1999; March, 1991]. Exploitation-oriented organizations face serious challenges when they are forced to change strategy and focus, because they have traded flexibility for stability in the past [Hannan & Freeman, 1977, 1984]: "*an organization that engages exclusively in exploitation will suffer from obsolescence*" [Levinthal & March, 1993:105]. The self-reinforcing nature of organizational learning makes it attractive for a firm to focus on the present and under-estimate the threats of environmental changes against the costs of changing current capabilities. This can cause core capabilities to be turned into core rigidities [Leonard-Barton, 1992, 1995], creating competency and exploitation traps [Ahuja & Lampert, 2001; Fauchart & Keilbach, 2009; Herriott, Levinthal, & March, 1985; Levitt & March, 1988]. The excessive focus on exploitation results in organizational myopia and competency traps [Levitt and March 1988; Radner 1975]. According to D'Aveni [1994], this is a very dangerous position because under hyper-competitive circumstances, no firm can build a sustainable competitive advantage, because today's strength quickly becomes tomorrow's weakness.

Instead of trying to find stability, firms must interpret their core competencies as temporary advantages and therefore actively create a series of new ones [D'Aveni

1994], but being too explorative could be also dangerous. A failed explorative effort may disrupt successful routines and the full utilization of existing competencies without any significant financial compensation for the future loss of existing business [Mitchell & Singh, 1993; Volberda, 1996; Volberda & Lewin, 2003]. In other words, explorative firms generate larger performance variation by experiencing substantial success as well as failure, while exploitative firms are likely to generate more stable performance. Both strategies, however, are unsustainable in the long term [He & Wong, 2004].

Excessive exploration is equally destructive and can cause a self-reinforcing exploration trap. Market failure ideally leads to search and change, but new failures in this process can lead to even more change, and this focus may harm present profitability and make future operation impossible [Levinthal & March, 1993]. According to He and Wong [2004], the inability of many innovative firms to achieve market success can be traced partly to their tendency to explore new products and unfamiliar markets constantly without allocating enough resources to exploit them.

Long-term success is only sustainable by balancing exploration and exploitation. Managing these contradictory activities within one organization is extremely challenging, because temporal and perceptual discrepancies in the trade-off between exploration and exploitation create path dependencies, which can distract managers' decision-making and lead to inappropriate adaptations by favoring one activity or the other [Benner & Tushman, 2002; Levinthal & March, 1993].

2. 1. 3. Dualities in Management Literature

Organizations are attempting to address many types of contradictions, such as exploration and exploitation, efficiency and flexibility, adaptability and alignment, and integration and responsiveness [Gulati & Puranam, 2009]. Since March's seminal work [1991], the distinction between exploration and exploitation has been widely used in various fields outside organizational learning, including innovation management [Birkinshaw et al., 2008; Cheng & Van de Ven, 1996; He & Wong, 2004; Jansen et al., 2005; O'Reilly & Tushman, 2004; Smith & Tushman, 2005], strategic management [e.g. Winter & Szulanski, 2001], organization theory [e.g. Holmqvist, 2004; Van den Bosch et al., 1999], and managerial economics [e.g.,

Ghemawat & Ricart i Costa, 1993]. These studies have examined in depth the organizational requirements and effects on firm performance of exploration and exploitation. They showed that exploration is associated with organic structures, loosely coupled systems, path-breaking, improvisation, autonomy and chaos, and emerging markets and technologies [He & Wong, 2004]. Exploitation is associated with rigid structures, tightly coordinated systems, path dependency, processes, control and bureaucracy, and stable markets and technologies [Ancona et al. 2001, Brown & Eisenhardt 1998, Lewin et al. 1999]. Birkinshaw and Gupta [2013] suggested using ambidexterity as a conceptual framework in all fields of management literature to frame research questions.

2. 2. Related Literature Streams

According to Raisch and Birkinshaw [2008], He and Wong [2004] and Lavie, Stettner and Tushman [2010], most literature has focused on certain elements of organizational ambidexterity. Various fields of organizational theory have covered the contradiction of exploration and exploitation, and defined and interpreted these activities. The question emerges, does ambidexterity really exist, or is it just a reinterpretation of previous findings [Birkinshaw & Gupta, 2013]? The answer is, that other fields define exploration and exploitation of continuum's two ends, where these activites are in insurmountable contradiction. Ambidexterity suggests, that trade-offs can never be perfectly eliminated, but managers have different structural, contextual and leadership-solutions to reconcile this conflict as deep as possible. Consequently, organizational ambidexterity can been defined in multiple ways in various fields of organizational theory, for example, as firms' ability to simultaneously manage double-loop and single-loop learning [Argyris & Schön, 1978] or local search and long jump [Levinthal, 1997], incremental and radical innovation [e.g. Abernathy & Clark, 1985; Dewar & Dutton, 1986; Tushman & Anderson, 1986], and stability and transformation in organizational adaptation [Romanelli & Tushman, 1985]. Table 1 sets this out in full.

Table 1: Interpretation of Exploration and Exploitation in Different Disciplines

Field of literature	Interpretation of competing activities		Author
Organizational learning	Exploitation	Exploration	March [1991]
	Single-loop learning	Double-loop learning	Argyris & Schön [1978]
	Local search	Long jump	Levinthal [1997]
Innovation	Incremental innovation	Radical innovation	Abernethy & Clark [1985]
Adaptation	Stability	Transformation	Romanelli & Tushman [1985]
Strategic management	Induced strategic process	Autonomous strategic process	Burgelman [1991; 2002]
Organizational design	Efficiency	Flexibility	Thompson [1967]
	Mechanistic structures	Organic structures	Burns & Stalker [1961]
Managerial economics	Static efficiency	Dynamic efficiency	Ghemawat & Ricart i Costa [1993]
Entrepreneurship	Administration	Disruptive innovation	Schumpeter [1934]
Growth theory	Change in quantity	Change in quality	Penrose [1959]
	Growth period	Growth crisis	Greiner [1972]

Source: own editing

This section briefly introduces the most important antecedents of organizational ambidexterity based on the extended classification of Raisch and Birkinshaw [2008], to emphasize the focus of my research. My thesis will examine the key elements of organizational context and the role of managers in the creation of a context that enables organizations to become ambidextrous. Although the notion of exploration and exploitation has been widely studied, we know far less about how organizations achieve ambidexterity from a dynamic, process-view [Adler et al., 1999; Siggelkow & Levinthal, 2003]. The majority of earlier research focused on static points of already ambidextrous corporations' lifecycles. I therefore dedicate a whole chapter to growth management, to introduce the most important results of organizational life cycles, the different configurations of markets, strategies, structures and management systems, in order to introduce a process-based, dynamic therotical perspective in my dissertation.

One group of researchers in the field of **organizational learning** defined exploitation as the simple reuse of existing knowledge, and exploration as the process of creating new knowledge [Rosenkopf & Nerkar, 2001; Vassolo, Anand, & Folta, 2004;

Vermeulen & Barkema, 2001]. A more determinative group of scholars focused on the type or degree of learning rather than its presence [Benner & Tushman, 2003; Gupta et al., 2006; He & Wong, 2004].

March's [1991] definition of exploration and exploitation is closely connected to Argyris and Schön's [1978] single- and double-loop learning, Senge's [1990] generative and adaptive learning and Levinthal's [1997] local search and long jump construct. Baum and colleagues [2000] defined exploitation as the reuse and refinement of existing knowledge via local search, and exploration as knowledge gained by planned experimentation. Although there are differences in the definitions, most authors agree that both learning types are necessary for long-term prosperity [Gupta et al., 2006; Levinthal & March, 1993; March, 1991]. There are, however, different opinions about how firms should handle these contradictory activities. March [1991] suggested that exploration and exploitation are fundamentally incompatible, but researchers of ambidexterity have proved that these two types of learning can be achieved simultaneously [Auh & Menguc, 2005; Baum et al., 2000; Kang & Snell, 2009; Katila & Ahuja, 2002; Mot et al., 2007].

Thompson [1967] put the "*paradox of administration*" into the spotlight of **organizational design**. This trade-off of efficiency and flexibility inspired researchers to consider how structures can solve this fundamental contradiction. Duncan [1976], based on Burns and Stalker [1961], argued that organizations require both mechanistic and organic structures to create and implement innovations. Mechanistic parts are standardized, centralized and hierarchical elements, and organic ones are flexible, decentralized and autonomous units. Although it is challenging to combine these mechanistic and organic features within one organization [Ford & Ford, 1994; Lawrence & Lorsch, 1967; Lewis, 2000], successful firms can create organizational contexts [Gibson & Birkinshaw, 2004] or integrate structurally separated elements through top management teams [Adler & Borys, 1996; Sheremata, 2000; Tushman & O'Reilly, 1996] to resolve the paradox.

Strategic adaptation means the organizational answers to environmental challenges [Szabó, 2012]. Adaptation is usually generated by external changes. These changes in macro-, industrial- and competitive environment, e.g. economic transformation [Balaton, 1999], EU accession [Balaton, 2005] and the economic crisis [Balaton, 2011; Balaton & Csiba, 2012; Balaton & Gelei, 2013] lead to shifts in strategic

behavior [Hortoványi & Szabó; 2006a, b; Miles et al., 1978; Porter, 1993; Szabó, 2008]. Tushman and Romanelli [1985] developed the punctuated equilibrium model of organizational evolution, which became the central construct of **organizational adaptation**. According to the authors, an organization's evolution is characterized by long, calm periods with continuity and convergence, but short bursts of discontinuous change are inevitable. These situations are contradictory. Managers have to find the balance between continuity and change [Brown & Eisenhardt, 1997; Leana & Barry, 2000; Meyer and Stensaker, 2006; Miller & Friesen, 1984; Tushman & O'Reilly, 1996; Tushman & Romanelli, 1985; Volberda, 1996] and handle the change management process [Angyal, 2009; Dobák, 2008]. The main issue of adaptation is that too strong a focus on continuity leads to inertia, whereas too much change, or change that is too radical, is unsustainable on both a personal and organizational level [Huy, 2002; Levinthal & March, 1993; Sastry, 1997]. Top management's responsibility is to facilitate discontinuous change, and middle management has to maintain continuity and support incremental change [Floyd & Woolridge, 1996; Hortoványi & Szabó, 2006; Shrivastava, 1986]. This natural division of tasks and responsibilities encode the fundamental contradictions between continuity and change.

Burgelman's [1991, 2002] adaptation paradox is a central issue in **strategic management**: concentrating on present opportunities reduces the ability to prepare for future changes. His model distinguishes two strategic processes. The induced process reduces variation and is in line with current strategy and resources, whereas the autonomous process increases variation by adding new areas of focus and stressing the creation of new knowledge. These activities are contradictory, because they compete for the same scarce resources [Burgelman, 2002]. Numerous studies have provided similar results, although they used different terms to describe this tension. Hamel and Prahalad [1993], for example, identified the balance between exploiting current capabilities (leverage) and the development of new ones (stretch) as key to creating and maintaining competitive advantage. Ghemawat and Ricart i Costa [1993] defined the refinement of existing products as static efficiency and the development of new ones as dynamic efficiency. Volberda and colleagues [2001] distinguished between selective and adaptive strategic actions.

Incremental **innovations** are small refinements of products, whereas radical innovations represent fundamental changes in product portfolio, business models, processes and/or structures and systems [Abernathy & Clark, 1985; Dewar & Dutton, 1986; Tushman & Anderson, 1986]. Tushman and Smith [2002] defined these different kinds of innovations as exploitative and explorative innovations. The distinguishing factor lies in market segments: exploitative innovations reflect the needs of current customers, whilst explorative ones aim to address those of emergent customers [Atuahene-Gima, 2005; Benner & Tushman, 2003; Danneels, 2002; Holmqvist, 2004; Smith & Tushman, 2005; Tushman & O'Reilly, 1996]. The simultaneous management of both types creates tensions [Dougherty, 1992; Nadler & Tushman, 1997], and organizations therefore tend to focus on one or the other.

This leads to Leonard-Barton's [1992] capability-rigidity paradox: exploiting existing product innovations and capabilities may crowd out the exploration of new ones. Several authors have provided solutions for the simultaneous management of the two innovation types [Ancona et al. 2001; Atuahene-Gima, 2005; Brown & Eisenhardt, 1997; Colbert, 2004; Corso & Pellegrini; 2007; Christensen & Overdorf, 2000; O'Reilly & Tushman, 2004; Sheremata, 2000]. Hughes and colleagues [2010] examined high-technology new ventures and found that innovation ambidexterity (marketing differentiation and cost leadership) was linked to performance gains.

Although there are several interpretations of **entrepreneurship** in the literature [Chandler, 2001; Gartner, 2001; Stevenson-Jarillo, 1990], the most important and determinative are generally linked to Schumpeter's [1934]: entrepreneurship is the creative destruction of market equilibrium and status quo that creates new products and markets. Hortoványi [2012:34] stated that "*an effective entrepreneur is not one who, from the outset, is able to plan a particularly effective organizational form, but one who is able to make an organization responsive to new information and reactive towards new opportunities*". Entrepreneurial creativity directly affects the level of innovation outputs [Ahlin, Drnovsek & Hisrich, 2014]. The definition of this behavior inspired later researchers to separate entrepreneurship from organizational size, and instead connect it to innovation and strategic management [Carland, 1984; Cole, 1968, Drucker, 1969]. Besides the strong focus on exploration, Drucker [1998] suggested that entrepreneurial firms should become able to constantly and quickly create innovations, and handle Schumpeter's [1934] basically contradictory

management roles, the entrepreneurial and administrative within one domain. Stevenson and Gumpert [1985] specified the entrepreneur's management tasks in the entrepreneurial process. They stated that the collection, allocation and control of resources and an appropriate organizational structure are necessary preconditions to exploit creatively identified market opportunities.

The paradoxes introduced in thes chapter are set out in Table 2.

Table 2: Paradoxes in Management Theories Source: Developed from Raisch & Birkinshaw, 2008

Discipline	Paradox	Definition	Selected authors	Exploitation	Exploration
Organizational learning	The well-balanced combination of two fundamentally different, and basically incompatible learning types (exploration vs. exploitation [March, 1991], single-loop vs. double-loop learning [Argyris & Schön, 1978], generative vs. adaptive learning [Senge, 1990] and local search vs. long jump [Levinthal, 1997]) is essential for long-term success [Gupta et al., 2006; Levinthal & March, 1993; March, 1991].	*"Exploitation refers to learning gained via local search, experiential refinement, and selection and reuse of existing routines. Exploration refers to learning gained through processes of concerted variation, planned experimentation, and play."* [Baum, Li, & Usher, 2000:768]	Argyris & Schön [1978]; Gupta et al. [2006]; Levinthal [1997]; Levinthal & March [1993]; March [1991]; Senge [1990]	Single-loop learning / Generative learning / Local search	Double-loop learning / Adaptive learning / Long jump
Organizational design	Organizations require mechanistic and organic structures to innovate and implement [Burns & Stalker, 1961; Duncan, 1976; Lawrence & Lorsch, 1967]. Firms combine mechanistic and organic features within one organizational context [Gibson & Birkinshaw] or separate them structurally [Tushman & O'Reilly].	A firm's ability to operate complex organizational designs that provide for short-term efficiency and long-term innovation [Raisch & Birkinshaw, 2008].	Burns & Stalker [1961]; Duncan [1976]; Ford & Ford [1994]; Gibson & Birkinshaw [2004]; Lawrence & Lorsch [1967]; Lewis [2000]; Thompson [1967]; Thusman & O'Reilly [1996]	Mechanistic structures	Organic structures
Organizational adaptation	Organizations need to balance continuity and change for long-term success. Long periods of continuity in organizational evolution are punctuated by short, radical transformations [Tushman & Romanelli, 1985].	An organization's capacity for change depends on its ability to balance the need to implement radical changes and to maintain daily operations. [Meyes & Stensaker, 2006]	Brown & Eisenhardt [1997]; Leana & Barry [2000]; Huy [2002]; Meyer and Stensaker [2006]; Miller & Friesen [1984]; Probst & Raisch [2005]; Tushman & Romanelli [1985]	Continuity	Change

Discipline	Paradox	Definition	Selected authors	Exploitation	Exploration
Strategic management	Both variation-reducing, induced strategic processes that are within the scope of current corporate strategy, and variation-increasing, autonomous strategic processes, outside current strategic scope, compete for the same scarce resources. Managers therefore need to make trade-offs between them [Burgelman, 1991, 2002].	*"Combination of the two strategic processes may be the most beneficial, because organizations may have to keep both processes in play at all times, even though this means that the organization never completely maximizes its efforts in the current domain."* [Burgelman, 1991:256]	Burgelman [1991, 2002]; Ghemawat & Ricart i Costa [1993]; Hamel & Prahalad [1993];	Induced strategic process	Autonomous strategic process
Innovation management	The capability-rigidity paradox describes the tensions that emerge when organizations handle both radical and incremental innovations simultaneously, because exploiting existing product innovation capabilities may have dysfunctional rigidity effects that could prevent the development of new capabilities [Leonard-Barton, 1992].	*"Ambidexterity is a firm's ability to simultaneously pursue both incremental and discontinuous innovation."* [Tushman & O'Reilly, 1996:24].	Abernathy & Clark [1985]; Dougherty [1992]; Dewar & Dutton [1986]; Leonard-Barton [1992]; Tushman & Anderson [1986]; Sheremata [2000]	Incremental innovation	Radical innovation
Entrepreneurship	Entrepreneurship is the creative disruption of market equilibrium by new products and business models [Schumpeter, 1934]. The continuous pursuit of innovation is an essential part of entrepreneurial behavior [Drucker, 1998], but an entrepreneur also has to pay attention to developing structures and systems to exploit opportunities [Stevenson & Gumpert, 1985].	The entrepreneur should be aware of market opportunities and able to exploit them by managing resource allocation, control and structures [Stevenson & Gumpert, 1985].	Carland [1984]; Cole [1968]; Drucker [1969, 1998]; Schumpeter [1934]; Stevenson & Gumpert [1985]	Administrative management	Disruptive innovation
Growth theory	Organizations inevitably meet specific growth crises during their life cycle. These crises emerge from the imbalance between exploration and exploitation, because the previously appropriate organizational context can no longer handle increased market size, employees, processes, structures and complexity [Greiner, 1972].	A company cannot grow efficiently if growth rate is faster than the development of managerial knowledge and skills [Penrose, 1959].	Greiner [1972]; Penrose [1959]	Change in quantity / Growth period	Change in quality / Growth crisis

2. 2. 1. Growth Theory

The notion of exploration and exploitation is a characteristic element of organizational growth literature, but there are different approaches to the appearance and existence of ambidexterity in a firm's growth process. Some authors interpret it as a sequential process or part of a series of changes in moving between a focus on internal and external problems and solutions [e.g. Quinn & Rohrbaugh, 1983; Szabó, 2012], or as a life cycle in which external and internal focus are constantly present, but to varying degrees [e.g. Quinn & Cameron, 1983].

In this section, I introduce the most important aspects and models of growth theory to understand organizations' development as a process and find the place and importance of ambidexterity in that. The reason for choosing this part of the literature is that growth theories are basically dynamic, process-based constructs compared to other subfields, and I would like to examine in my thesis the evolution process of ambidextrous organizational context in middle-sized companies.

2.2.1.1 Role of Time

Management problems are rooted in time [Greiner, 1972]. As organizations age, the natural consequence is to grow. Strategic decisions made early in a firm's history strongly affect its strategy for many years [Sandberg, 1992]. Not only do such decisions lock a firm into a strategy, but they also affect its structure and systems [Dobák, 1999]. Its structures and processes become part of an integrated whole over the years, and it is difficult to change one element without unraveling others [Eisenhardt, 1988]. Fauchart and Keilbach [2009] showed that routines create an "exploitation trap": as more are introduced, the organization is less able to adapt to changing requirements and rejuvenate itself. The pressure for stability is not just inertia. There are short-term forces that require organizations to maximize and fully utilize their existing competencies and capabilities [Volderba, 1996].

Time is an important aspect in organizational growth. According to O'Reilly and Tushman [2011], probably less than 0.1% of American companies can expect to survive more than 40 years, and the average age of a large company is much less. Of those firms founded in 1976, only 10% were still in existence 10 years later. Even large companies can only expect to live, on average, between 6 and 15 years. Firms

that survived the 83 years between 1912 and 1995 were in industries like natural resources, without disruptive change.

Organizations do not survive for long periods, because past decisions lock them into traps, make them rigid and limit their future growth directions and prospects [e.g. Burgelman, 1991, 2002; Fauchart & Keilbach, 2009; Greiner, 1972]. Without finding the balance between short-term exploitation and long-term exploration, it is hard, or even impossible, to maintain long-term growth [O'Reilly & Tushman, 2011].

2.2.1.2 Definition of Growth

According to Gartner [1990], growth is often associated with entrepreneurship and innovation in the literature [e.g. Davidson, Delmar & Wiklund, 2002]. Growth is an ambiguous term with multiple meanings. It should not be simplified to a quantitative interpretation of turnover, number of employees or available resources. The essence of growth theories is the qualitative change in firm operations generated by quantitative expansion [Penrose, 1959].

In his management classic *Corporate Strategy*, Ansoff [1965] examined the connection between strategy and growth, and laid the foundations for growth strategies and strategic planning. The creation of growth theory is associated with Penrose [1959], who concluded that growth is essential for organizations, although excessive growth against their administrative and cognitive boundaries can harm future prospects: a balance between quantitative growth and quality of management knowledge and systems is crucial for sustainability. Penrose [1959] focused on internal resources, and particularly on management skills. The entrepreneurial abilities and willingness of managers are more important than short-term revenue, because the number of administrative tasks increases because of growth and change in the external environment, which makes it necessary and inevitable to integrate new knowledge into the organization. If we define growth as a process, managers' most important responsibility is to develop knowledge and systems in balance with product and market diversity and quantity [Penrose, 1959]. According to Penrose [1959], the most common reasons why firms do not grow are:

- Lack of entrepreneurial willingness, and unenterprising direction;
- Ineffective management;
- Inappropriate level of capital accumulation;

- Inappropriate adaptation to changing environmental conditions;
- Weak decision-making that results in common and expensive failures; and
- Unfortunate circumstances.

2.2.1.3 Growth as a Life Cycle

Punctuated equilibrium theory defines the evolution of organizations as a process with relatively long periods of stability (equilibrium periods) interrupted by relatively short periods of fundamental change (revolutionary periods) that disrupt patterns in established activities, markets, products and systems and lay the foundations for a new equilibrium period [Tushman & Romanelli, 1985]. Romanelli and Tushman [1994] provided evidence for the theory and stated that:

- A large majority of organizational transformations were rapid and disruptive changes in every important activity;
- Small changes in strategies, structures, and power distributions are insufficient to generate fundamental transformations; and
- Successful transformations are generated externally by important environmental changes and internally by chief executives.

According to Greiner [1972], the most cited author to build on Penrose's [1959] theory, companies go through a series of different evolutionary periods. Growth will usually continue at a steady pace until a revolutionary stage is reached. Each evolutionary stage is challenged by a crisis period, when practices and routines become outdated. The organization will not be able to grow again without developing new management solutions. The pressure to change, however, may come from a managerial desire to grow and be more successful, and not from external threats to survival [Volberda, 1996]. According to Vecsenyi [2003], growth is not always perceived and interpreted as a necessity. If founders' aims are met by a small organization with limited complexity, they will not be motivated to foster growth.

Galbraith [1982] examined the limits of growth from the perspective of corporate life cycles. In the early phases, it is possible to grow at a higher rate than the industry average with a small number of experts, informal processes, structures and decision-making, and no developed coordination tool. Later in the natural growth phase, the rate decreases, because the functional organizational form makes the firm's response time slower. After the development of formal systems, the organization should start

strategic maneuvering. All these decisions define and limit its prospects for long-term survival. Adizes [1992] illustrated organizational life cycles with human ones. This metaphor makes clear that growth is finite, and there is always an endpoint, which occurs when firms lose their adaptability and flexibility. In the early phases, the organization can be described as having high flexibility and low manageability. As time goes by and the company grows, the flexibility decreases to make it more manageable. At a specific point, the flexibility falls dramatically and with the development of bureaucracy, the organization becomes hard to manage. This process leads to the death of the firm.

Quinn and Rohrbaugh [1983] extended the extant growth theories, most of which were internally-focused, by adding external aspects. They suggested that managers can focus on markets or the organization, on flexibility or centralization and control, and on opportunity-orientation or the exploitation of current assets and resources. They identified four models, which they called human relations, open systems, internal process and rational goal. Quinn and Cameron [1983] separated the organizational life cycle into different phases, each of which was characterized by one of these four models becoming dominant. Mintzberg [1989] extended the debate by addressing power and authority. In his view, the distribution and quality of power is different in different life cycle phases, and this strongly defines the firm's strategy.

2.2.1.4   Interpreting Ambidexterity in Growth Theories

According to Penrose [1959], a company cannot grow efficiently if its growth rate is faster than the development of managerial knowledge and skills. Although it is possible to acquire knowledge externally, the firm needs to become able to use it. Greiner [1972] continued Penrose's [1959] work and developed a well-respected life cycle model, which focuses on the fit of structures, management systems and styles, control and reward systems and culture to organizational size. Greiner identified the following stages:

- Informal structure with direct market and financial feedback;
- Functional, centralized, hierarchical structure with technocratic coordination tools, and cost centers;
- Decentralized structure with plans, budgets and reports; and
- Matrix structure with clan culture.

Figure 1: Greiner's [1972] Growth Model
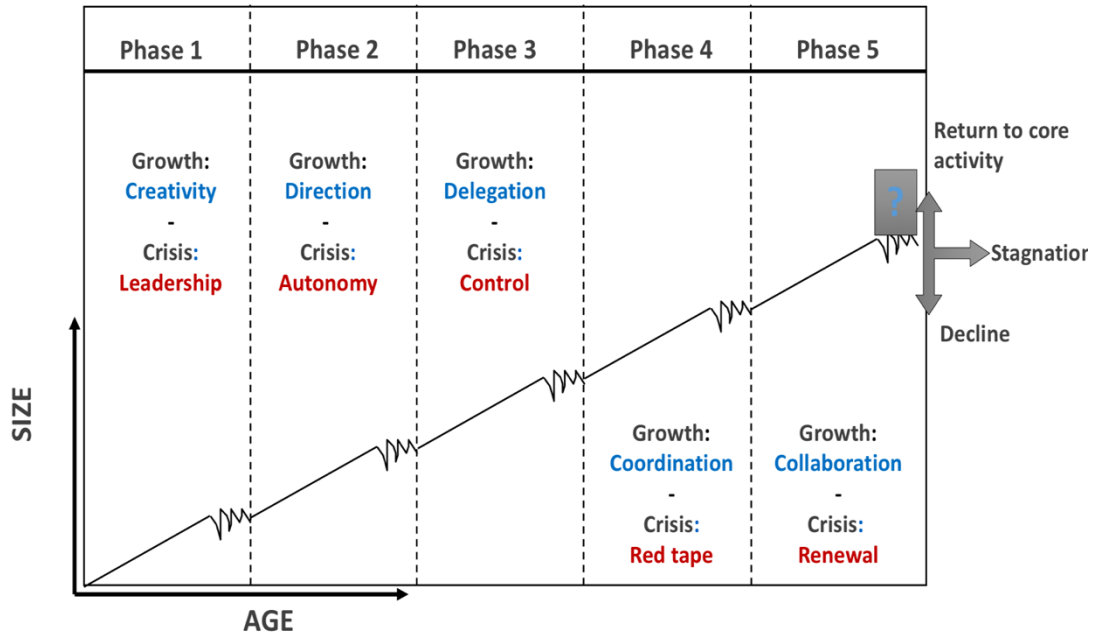
The literature on corporate growth, and especially the work of Greiner, does not focus clearly on ambidexterity. Greiner's thinking, however, provides some ideas for ambidexterity research. The essence of his seminal work is that organizations inevitably meet specific growth crises during their life cycle. These crises emerge from the imbalance between exploration and exploitation, because the previously appropriate organizational context, which enabled the firm to explore new opportunities while ensuring efficient current operation by exploiting mature businesses, can no longer handle increased market size, number of employees, processes, structures and complexity. If an organization can overcome crises by developing a new organizational context, it will become able to explore new opportunities and also exploit current ones. If not, it will tend to stagnate and shrink, because the only long-term solution without developing the organizational and management systems is to backtrack to a previously manageable level.

Solving a crisis only gives a chance to succeed, not a guarantee of success. It creates only *capacity* for growth, because other factors, such as perspective and motivation of management, and environmental circumstances, also shape future prospects. To summarize, Greiner did not focus clearly on the paradoxical questions of ambidexterity, but called attention to the harmony that is necessary between

management systems and quality and quantity of market opportunities. This is very similar to the main point of organizational ambidexterity, especially contextual ambidexterity as a subfield of the domain: the correct and balanced organizational context enables firms to exploit current business potential efficiently and also create capacity to explore new opportunities [Gibson & Birkinshaw, 2004].

In my thesis, in line with recommendations from some of the field's key scholars, I would like to understand from a dynamic point of view how ambidexterity develops in middle-sized companies, and the managerial and organizational drivers of a context that can make the firm ambidextrous [e.g. Birkinshaw & Gibson, 2004; Lavie, Stettner & Tushman, 2010; O'Reilly & Tushman, 2013; Raisch & Birkinshaw, 2008; Simsek et al, 2009]. Greiner's [1972] growth model provides an appropriate framework for examining this problem, because it explains how managers should reconfigure the context to enable the firm to exploit its current opportunities and free up energy to explore new ones.

2. 3. Collection of Organizational Ambidexterity Perspectives

According to Raisch and Birkinshaw [2008], organizational ambidexterity is becoming a research paradigm in organizational theory. There are currently several different trends in the field but these approaches have started to merge in recent studies [e.g. Birkinshaw & Gibson, 2004, Chen & Katila, 2008, Kauppila, 2010; O'Reilly & Tushman, 2013].

Raisch et al. [2009] defined four tensions in the field of organizational ambidexterity: **differentiation vs. integration, individual vs. organization, static vs. dynamic and internal vs. external** (see Figure 2). The first tension introduces **differentiation and integration** as alternative or complementary constructs of ambidexterity. Differentiation refers to the structural approach of ambidexterity. This emphasizes that ambidexterity can only be achieved by separation of exploitative and explorative activities into distinct structural units [Benner and Tushman 2003, Christensen 1998, Tushman & O'Reilly, 1996]. Integration refers to the contextual approach that focuses on the creation of an organizational context to enable employees to pursue both types of activities within one business unit [Gibson & Birkinshaw, 2004].

Figure 2: Tensions in the Organizational Ambidexterity Literature
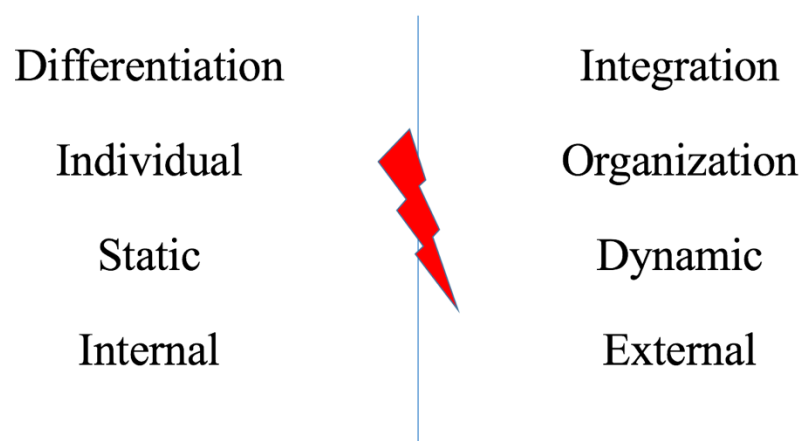
Source: Raisch et al. [2009]

The **individual vs. organization** tension focuses on the differences between individual or organizational level manifestation of ambidexterity. The structural and contextual approach solves tensions using organizational design solutions. According to Duncan [1976], organizations become ambidextrous by creating separated units with different systems, motives, structures and incentives. Going deeper, Benner and Tushman [2003] showed that a business unit may become ambidextrous by creating alternative functions or smaller structural elements to avoid conflicts between exploration and exploitation. In process management and development, structural separation of tasks and teams are essential to become ambidextrous [Adler et al., 1999]. Structural mechanisms also play a determinative role in contextual ambidexterity, although the set of systems and processes are less well-described [Gibson & Birkinshaw, 2004; O'Reilly & Tushman, 2013]. Gibson and Birkinshaw [2004] described organizational context as the collective orientation of employees toward the simultaneous pursuit of ambidexterity that manifests at individual level in the form of behavioral patterns.

The opposite view suggests that ambidexterity is fostered by the top management of the firm [Tushman & O'Reilly, 1997]. Educated and experienced executives are responsible for solving role conflicts in strategic issues and finding the balance between exploration and exploitation [Floyd & Lane, 2000; Smith & Tushman, 2005].

Leadership style and strategic focus, at one end of the continuum, are correlated and can lead to premature ageing or burnout of the organization if management does not find the 'golden mean' between exploitation and exploration by personal behavior, team design, knowledge-transfer, shared vision, a common set of values, challenging goals and reward systems [Beckman, 2006; Jansen et al., 2008; Lubatkin et al., 2006; Peretti & Negro, 2006; Probst & Raisch, 2005, Smith, 2006; Volberda, Baden-Fuller & Van den Bosch, 2001].

The third tension is between **static and dynamic** perspectives [Raisch et al., 2009]. In the dynamic aspect, the majority of organizational ambidexterity research focuses on the issues, contradictions and organizational or leadership solutions required to become simultaneously ambidextrous [e.g., Gibson & Birkinshaw, 2004; Gupta et al., 2006; Raisch & Birkinshaw, 2008, Tushman & O'Reilly, 1996]. In their view, ambidexterity refers to overcoming managerial challenges to enable contradictory

activities at the same time within one organization, because the solution of this paradox leads to superior performance [O'Reilly & Tushman, 2013].

Some research suggests that firms may temporarily oscillate between periods of exploration and exploitation, and that sequential attention should be paid to the two [e.g., Brown & Eisenhardt, 1997; Brown & Eisenhardt, 1998; Burgelman, 2002; Gupta et al., 1996; Laplume & Dass, 2012; Rothaermel & Deeds, 2004; Siggelkow & Levinthal 2003]. These studies interpret ambidexterity as a cyclical change of static configurations [Raisch et al, 2009]. O'Reilly and Tushman [2013] questioned whether this category is really ambidexterity, because these organizations eliminate the tensions by temporal separation and not by management solutions. The change between exploration and exploitation can affect structure, processes, reward and control systems and resource allocation [Raisch, 2006]. Oscillating can lead to better performance under specific circumstances in certain phases of organizational life cycles [Brown & Eisenhardt, 1997; Rothaermel & Deeds, 2004; Siggelkow & Levinthal, 2003]. Firms in a stable environment (service firms) and smaller organizations are more likely to rely on sequential ambidexterity [O'Reilly & Tushman, 2013].

The fourth tension in the field relates to **internal versus external** perspectives. According to Raisch et al. [2009], research has generally focused on how organizations address exploitation and exploration internally [e.g. Benner & Tushman, 2003; Gibson & Birkinshaw, 2004]. The typical level of analysis was organization, business unit and individual.

But there are other suggestions in the literature to structurally separate exploitation and exploration via the externalization one or the other, by outsourcing or establishing alliances [Baden-Fuller and Volberda, 1997; Holmqvist, 2004; Kauppila, 2010; Lavie and Rosenkopf, 2006; Rothaermel and Deeds, 2004; Russo & Vurro, 2010].

Drawing on these tensions, Raisch and Birkinshaw [2008], Simsek and colleagues [2009] and O'Reilly and Tushman [2013] provided deep and detailed categorization and conceptualization for the field. Raisch and Birkinshaw [2008] identified three distinct but broad subcategories within the ambidexterity literature: structural and contextual (which differ most importantly in structural integration and

differentiation), and leadership-based, which focus on the responsibility of management teams in handling the contradictory forces and tensions. Simsek et al. [2009] identified two distinct dimensions of ambidexterity. The first is temporal, capturing the distinction between the simultaneous and sequential aspects. Like Raisch and Birkinshaw's [2008], their second dimension focuses on the differences between integrated and separated organizational solutions. Simsek et al. [2009] created a two-by-two typology that differentiates four types of ambidexterity: harmonic, cyclical, partitional and reciprocal. O'Reilly and Tushman [2013] reviewed the evidence and results of sequential, simultaneous, structural and contextual ambidexterity. Comparing the classifications, I suggest two important consequences. First, the integration vs. differentiation (separation) tension is the most significant in the literature, and I will discuss these aspects in more detail. Second, Simsek at al. [2009] and O'Reilly and Tushman do not differentiate between structural- and leadership-based solutions to ambidexterity. They interpret these results as complementary solutions. Table 3 sets out the classifications and definitions of the subcategories.

Table 3: Classification of Ambidexterity Research [O'Reilly & Tushman, 2013; Raisch & Birkinshaw, 2008; Simsek et al., 2009]

Raisch & Birkinshaw [2008]	Simsek et al. [2009]	O'Reilly & Tushman [2013]
Contextual ambidexterity	**Harmonic ambidexterity**	**Contextual ambidexterity**
Rather than creating dual structural arrangements, leaders are expected to create a supportive business-unit context. Context refers to the systems, processes and beliefs that shape individual-level behaviors in an organization. Successful organizations are expected to balance the hard (discipline and stretch) and soft (support and trust) elements in their organizational contexts [Bartlett & Ghoshal, 1989; Ghoshal & Bartlett, 1994].	Concurrently pursuing exploitation and exploration harmoniously within a single organizational unit is inherently challenging, because each competes for scarce resources, leading to conflicts, contradictions, and inconsistencies. In the absence of partitioning, this pursuit becomes intertwined in the ongoing operating and strategic activities of the unit in its culture, structure, and systems, placing a premium on its members' integrative abilities.	Contextual ambidexterity is the behavioral capacity to simultaneously demonstrate alignment and adaptability across an entire business unit. The ability that makes the unit/organization able to balance between exploration and exploitation is the organizational context characterized by an interaction of stretch, discipline, and trust.
Structural ambidexterity	**Partitional ambidexterity**	**Simultaneous / Structural ambidexterity**
Ambidexterity in organizational structures is achieved by developing structural mechanisms to cope with the competing demands faced by the organization for alignment and adaptability [Gibson and Birkinshaw 2004:211]	Pursuing ambidexterity requires the establishment of structurally independent units each having its own strategies, structures, cultures, and incentive systems. From a managerial perspective, several characteristics of senior management teams serve as important antecedents to this form of ambidexterity.	Simultaneous or structural ambidexterity is a way of balancing the exploration/exploitation trade-off by using organizationally separate but strategically integrated subunits with different competencies, systems, incentives, processes, and cultures, each internally aligned [O'Reilly et al., 2009; O'Reilly & Tushman, 2004]. This is a leadership issue more than a structural one [O'Reilly & Tushman, 2011; Smith, Binns, & Tushman, 2010; Smith & Tushman, 2005].
Leadership-based ambidexterity		
Ambidexterity is facilitated by the top management team's internal processes [Tushman and O'Reilly, 1997]. Senior executives are important "in making an organization context effective and developing ambidexterity" [Gibson and Birkinshaw 2004: 223, Smith and Tushman, 2005].		

	Cyclical ambidexterity	Sequential ambidexterity
	Cyclical ambidexterity, in which organizations engage in long periods of exploitation (or relative stability), interspersed with sporadic episodes of exploration (or change), is attained not by structural partitioning, but by sequentially allocating resources and attention to exploitation and exploration. This type of ambidexterity involves a system of temporal cycling in which organizations alternate between long periods of exploitation and short bursts of exploration.	Firms evolve through punctuated changes in which they adapt sequentially to environmental shifts by realigning their structures and processes.
	Reciprocal ambidexterity	
	Reciprocal ambidexterity is best portrayed as being a synergistic fusion of complementary streams of exploitation and exploration that occur across time and units.	

2. 3. 1. Contextual (or Harmonic) Ambidexterity

The structural antecedents of ambidexterity have long been a focus of research interest, other aspects of it, such as its contextual antecedents, are under-researched. A wide range of research has focused on mature, multinational corporations that have successfully applied ambidextrous structures. As Birkinshaw and colleagues [2014] argued, however, little is known about how ambidexterity, this complex and nested construct, forms and develops. Researchers need to understand how firms or business units develop organizational contexts that separate explorative and exploitative tasks at the personal level. In my thesis, I would like to explore how ambidexterity forms, which contextual drivers enable the firm to become ambidextrous and what role is played by the management in this process. I will apply contextual ambidexterity as the theoretical framework, so I explain it in this section in more detail.

Managing the balance between exploration and exploitation is a more complex management challenge than following a single consistent strategy [Gupta, Smith & Shalley, 2006]. As a result, organizational ambidexterity is more than the simple presence of both exploitation and exploration [Raisch & Birkinshaw, 2008]. Floyd and Lane [2000] examined role conflicts at organizational and individual level in strategic renewal processes. They identified contradictory forces in these change processes: reinforcing the existing strategy maximizes performance in the short term, but replacing the existing strategy with a new vision is the way to maximize firm performance in the longer term. These two processes require alternative role-making systems, which creates the potential for conflict between them. Role conflicts are more likely to occur when environmental conditions are dynamic. The top management has to create the right performance management system (appropriate use of bureaucratic, clan or market controls) under different environmental circumstances, to combine and embed exploration and exploitation as interdependent processes in the firm's strategic renewal processes. O'Reilly & Tushman [2007] suggested that ambidexterity can become a dynamic capability only if exploration and exploitation are integrated, and senior leaders tolerate the contradictions, create a shared vision and values, apply a 'common fate' incentive system and can resolve the tensions. These factors call attention to organizational contextual and managerial antecedents of ambidexterity.

Gibson and Birkinshaw [2004:209] defined contextual ambidexterity as the behavioral capacity to simultaneously achieve alignment and adaptability at business unit level, where alignment is coherence among all the patterns of activities in the business unit (exploitation), and adaptability is the capacity to quickly reconfigure activities in the business unit to meet changing demands in the task environment (exploration). The organizational context is characterized by a combination of stretch, discipline, support, and trust [Ghoshal & Bartlett, 1994]. These authors point to earlier recommendations on management schemes, such as meta-routines (routines for changing other routines), job-enrichment methods (separating routine and non-routine tasks), worker training and trust in relationships with management [Adler et al., 1999:48]. They also highlighted that managers with a more complex and varied set of behaviors have a more positive effect on managing paradoxes [Denison, Hooijberg & Quinn, 1995; Lewis, 2000, Carmeli & Halevi, 2009]. They also noted the importance of a decentralized structure, common culture and vision, supportive leaders and flexible managers [Tushman & O'Reilly, 1996]. Carmeli and Halevi [2009] suggested that having top managers with a wide repertoire of behaviors, or behavioral complexity, strongly contributes to organizational ambidexterity, but only if the organizational context, as a moderating factor, enables them to employ this wide range. Middle managers' maturity is an important aspect of knowledge-sharing [Gaál, Szabó, Obermayer-Kovány & Csepregi, 2012]. National culture also influences organizational and managerial behavior [Heidrich & Alt, 2009].

Table 4: Comparison of Structural and Contextual Ambidexterity

	Structural ambidexterity	**Contextual ambidexterity**
How is ambidexterity achieved?	Alignment- and adaptability-focused activities are carried out in separate units or teams	Individual employees divide their time between alignment- and adaptability-focused activities
Where are decisions made about the split between alignment and adaptability?	At the top of organization	On the frontline, by salespeople, plant supervisors, and office workers
Role of top management	To define the structure, and make trade-offs between alignment and adaptability	To develop the organizational context
Nature of roles	Relatively clearly defined	Relatively flexible
Skills of employees	More specialists	More generalists

Source: Birkinshaw and Gibson [2004]

In Gibson and Birkinshaw's [2004:210] interpretation, contextual ambidexterity differs significantly from the construct of structural ambidexterity emerging from the work of Duncan [1976] and Tushman & O'Reilly [1996], because "*ambidexterity is best achieved not through the creation of dual structures, but by building a set of processes or systems that enable and encourage individuals to make their own judgments about how to divide their time between conflicting demands for alignment and adaptability*" (see Table 4). Gibson and Birkinshaw [2004] noted that structural and contextual approaches cannot be concurrent, but suggest that ambidexterity is best achieved by building business unit context to encourage individuals to participate in both types of activities, rather than by task or structural separation. In their view, this is a more sustainable model because it eliminates the coordination costs of separate business units and facilitates whole-organization adaptation. Although contextual ambidexterity's basis is the unit's systems and processes, it manifests in the actions of individuals: "*when contextual ambidexterity has been achieved, every individual in a unit can deliver value to existing customers in his or her own functional area, but at the same time every individual is on the lookout for changes in the task environment, and acts accordingly* [p.211]."

Brion, Mothe and Sabatier [2010] also provided evidence of the strong impact of organizational context on ambidexterity, and their findings emphasized the key role of managers, supporting the earlier work of Mom and colleagues [2007] and O'Reilly and Tushman [2007]. They suggested that organizations should motivate managers to create an appropriate context, because developing supportive short- and long-term organizational focus increases ambidexterity. Performance management and reward systems should focus on developing both sets of competences, because the incentives given to employees through the systems of organizational context should be in line with strategic goals and activities of the top management. This alignment could lead to contextual ambidexterity at the organizational level.

Gibson and Birkinshaw's [2004] results are widely interpreted as an individual approach to ambidexterity, but they clearly declared in their original article that this is a multi-level construct, where the context is the reason and behavior is the effect. They [Birkinshaw & Gibson, 2004:50] defined the construct as *"the individual's ability to exhibit ambidexterity is facilitated (or constrained) by the organizational context in which he or she operates, so contextual ambidexterity can also be diagnosed and understood as a higher-order organizational capability. At the organizational level, contextual ambidexterity can be defined as the collective orientation of the employees toward the simultaneous pursuit of alignment and adaptability."*

Birkinshaw and Gibson [2004] introduced the idea of the ambidextrous organization using the case of Renault, where Louis Schweitzer created a simple and consistent strategy with aligned budgeting processes, bonus system and stock option plans, and clear communication. Every two or three years, the strategic goals were adapted and modified, drawing on the views of a self-critical management encouraged by organizational routines. I suggest that it is important to define the level of analysis and understand the differences between individual behavior patterns, and the key factors of organizational context. I would therefore like to focus on the elements of context and not on the individual level effects, because the main criticism of the construct is the lack of a well-defined ambidextrous context [O'Reilly & Tushman, 2013].

Individual abilities do, however, play an important role in ambidexterity. Good and Michel's [2013] article, drawing from the organizational, psychological, and

neuroscience literature, looked at the cognitive abilities necessary for ambidexterity at an individual level. Their results suggest that intelligence explains 23% of the variance in task adaptive performance. Three more factors had a significant effect on individual ambidexterity: divergent thinking, focused attention, and cognitive flexibility. Engagement in exploration or exploitation tasks is related to distinct and independent personal and situational factors: highly open managers tend to engage in exploration tasks, and conscientious ones in exploitation [Keller & Weibler, 2014].

Ghoshal and Bartlett [1994] stated that organizational context is created and renewed through tangible and concrete management actions, to influence the actions of every individual in the organization. Based on a longitudinal field study in the company Semco, they identified discipline, stretch, trust and support as key factors in the context. Discipline consists of clear standards and expectations of performance and behavior, a system of open and fast-cycle feedback, and a consistent system of sanctions. Stretch covers the management responsibilities for establishing shared ambition, creating collective organizational identity and giving personal meaning to the individual contribution to firm-level performance. Trust was interpreted as a higher level of perceived fairness in the decision-making processes, broader involvement in core activities and an increase in overall level of personal competence. Finally, support is identified as an organizational element giving greater availability of resources, greater autonomy and more support for initiatives.

Birkinshaw & Gibson [2004] emphasized that top managers have to shape organizational context through incentives and control mechanisms. They identified two contextual factors, performance management and social support, which are equally important in creating a high performance context. Lack of social support leads to burnout, which results in individualistic behavior and a high level of employee turnover. Low performance management results in a *country club context*, in which employees do not perform well but enjoy the benefits of a collegial culture and environment. Birkinshaw and Gibson [2004] summed up their findings in three critical points:

- There is no single pathway to ambidexterity;
- There is no single leadership model for an ambidextrous organization; and
- Common attributes are clear and simple target-setting and consistency in perception and interpretation of these goals and priorities.

More recent research has shown that norms for adaptability emphasized by a widely accepted organizational culture lead to better business performance [Chatman et al., 2014]. Kauppila [2010] argued that structural separation is a necessary but not sufficient condition for ambidexterity. Kauppila's [2010] in-depth study investigated how a firm can create ambidexterity by combining structurally separated inter-organizational units and an ambidextrous organizational context. Kauppila's [2010] research focus was on the inter-organizational, not business unit, level. His findings highlighted the crucial role of a firm's ambidextrous organizational context, which rests essentially on internal integration and balancing mechanisms. Chang, Yang and Chen [2009] examined the relationship between organizational ambidexterity and research commercialization in universities; the dataset covered 474 academic patent inventors in Taiwan. Their results showed that contextual ambidexterity outperformed structural ambidexterity in fostering university start-up equity participation. De Clerq and his colleagues [2014] investigated the influence of internal and external rivalry on contextual ambidexterity and SME performance. They found a negative interaction effect between contextual ambidexterity and internal rivalry on SME performance, because competition for the same resources harms the quality and quantity of productive exchanges of valuable function-specific knowledge, as demanded by contextual ambidexterity.

To conclude this chapter, Gibson and Birkinshaw [2004], the most important authors of the subfield examined 41 business units of large corporations (e.g. Renault and Oracle) in their seminal work, and demonstrated that units can achieve alignment and adaptability simultaneously. They found that ambidexterity and the supporting organizational context were strongly correlated to business performance. They concluded that there was no trade-off between alignment and adaptability, and successful business units are able to develop a system that can foster ambidextrous behavior on an individual level. Most importantly, they concluded that it is not enough to create a supportive context, because this context creates only the *capacity* for ambidexterity.

2. 3. 2. Structural (or Partitional) Ambidexterity

The research on structural ambidexterity is the broadest and deepest field in the domain. Duncan [1976] argued that firms need to support constantly innovative operations with a dual structure, both to find new opportunities and to deliver results.

The concept of structural partitioning/differentiation traces its roots back to the literature of organizational design, which emphasizes the importance of maintaining congruence between organizational structure and the demands of the task environment [Burns and Stalker, 1961; Duncan, 1976; Lawrence and Lorsch, 1967]. The best way to create and maintain this consistency is to separate business development activities into independent units, although this creates coordination costs at the corporate level [Drucker, 1985; Galbraith, 2002; Tushman & O'Reilly, 1996]. This structural differentiation can help ambidextrous organizations to maintain different competencies. It can therefore lead to superior short and long-term performance in companies facing multiple strategic challenges, for example, in an international context [Gilbert, 2005; Han 2007; Han & Celly 2008].

Ambidexterity here is an interdependent, simultaneous phenomenon, in which exploration and exploitation are structurally compartmentalized but strategically synchronized [Tushman and O'Reilly, 1996]. According to O'Reilly and Tushman [2007], ambidextrous organizations host multiple contradictory structures, processes, and cultures within the same firm. Proponents of this view have typically argued that organizations need to establish structurally separated units with independent strategies, structures, processes, set of values, motivation and control systems [Benner and Tushman, 2003].

Scholars agree that structural ambidexterity is not just a simple organizational design solution of the exploration-exploitation trade-off, because different management teams, competencies, systems, incentives, processes and cultures need to be established, maintained and, most importantly, held together and internally aligned by a common strategic intent [O'Reilly & Tushman, 2004; O'Reilly & Tushman, 2008; O'Reilly et al., 2009; Mahmoud-Jouini, Charue-Duboc & Fourcade, 2007]. According to Raisch and Birkinshaw [2008], a theoretical discussion has evolved around the question of whether and to what extent units should be integrated. One side has argued that creating loosely integrated organizations with contradictorily interested units is the proper way to create ambidexterity [Leonard-Barton, 1995; Levinthal, 1997; Weick 1976]. Other researchers suggested that exploration and exploitation need to be completely separate, otherwise path dependencies and other interactions can hinder the creation of disruptive innovations [Christensen, 1998]. A third group has argued in favor of organizations that combine both tight and loose

coupling; for example, where the contrasting subunits are loosely linked with one another but fundamentally differ in incentive systems and managerial teams [Bradach, 1997; O'Reilly and Tushman 2004; Tushman & O'Reilly, 1997].

Ambidexterity is more than the presence of exploration and exploitation, and this difference is articulated at the structural level. Although each unit is independent, they operate interdependently, and creating the required coordination mechanism is an issue of leadership rather than structure [O'Reilly & Tushman, 2008, 2011; Smith, Binns, & Tushman, 2010; Smith & Tushman, 2005]. Typical mechanisms are shared vision, senior management team coordination, and knowledge integration systems [Jansen et al., 2008; Lubatkin et al., 2006; O'Reilly and Tushman, 2004, 2008; Smith and Tushman, 2005; Tiwana, 2008]. Nemanich and Vera [2009] pointed out that transformational leadership behaviors and learning cultures encompassing psychological safety, openness to diverse opinions, and participation in decision-making support ambidexterity in acquisition integrations.

According to Simsek and colleagues [2009], several characteristics of senior management teams are important antecedents to structural ambidexterity. Senior teams' most important task and responsibility is to deal with the conflicts and costs of dual structures and manage the information and coordination demands [Jansen et al, 2008; Lubatkin et al., 2006; Smith & Tushman, 2005; Tushman et al., 2004]. O'Reilly and Tushman [2011] identified the core mechanisms of successful ambidextrous designs.

The first and most important element is a leader who is able to develop a clear vision and common identity and build senior teams that are committed to the ambidextrous strategy. These senior managers should be given incentives to both explore and exploit, and be employed in distinct and aligned subunits to focus and build teams that can deal with the resource allocations and conflicts.

Although the majority of the existing literature focuses on spatial separation when it discusses structural ambidexterity, there are other solutions. The most significant is parallel structure, which enables individuals to switch between two structural contexts depending on task requirements. These are a formal primary structure, which provides stability and requires efficiency for routine tasks, and a secondary one, usually a set of coordination tools such as project teams and networks for non-

routine and innovative tasks [Bushe & Shani, 1991; Goldstein, 1985; McDonough & Leifer, 1983]. This is very similar to the function of Khandwalla's [1975] structural coordination tools, which, apart from person-oriented and technocratic solutions, make it possible to perform non-routine tasks within a rigid architecture by additional structural elements, such as projects, boards, teams, meetings and other cooperation mechanisms. To sum this up, the parallel structures concept assumes that exploitation and exploration activities can be carried out within one business unit, and this is very similar to the construct of contextual ambidexterity [Gibson & Birkinshaw, 2004].

Numerous studies with different methodologies, including large-scale data collections and case studies, have provided evidence for the positive effect of structural ambidexterity on firm performance [e.g. Harreld, O'Reilly, & Tushman, 2007; He & Wong, 2004; Jansen et al., 2009; Katila & Ahuja, 2002; Lubatkin et al., 2006; Markides & Gharitou, 2004; Raisch, 2008]. These studies show that structural ambidexterity is the presence of separate, autonomous structural units for exploration and exploitation, with different systems, culture, values, resources and rewards. These are integrated at top management level with an overarching vision by a leadership that is capable of managing the tensions associated with exploration and exploitation [e.g. Burgers et al., 2009; Hill & Birkinshaw, 2014; Jansen et al., 2009; Lubatkin et al., 2006; Martin & Eisenhardt, 2010; O'Reilly & Tushman, 2011; O'Reilly et al., 2009; Smith & Tushman, 2005].

2. 3. 3. Other Perspectives

2.3.3.1 Leadership-Based Ambidexterity

Leaders, senior executives and top managers, and also middle managers and experts, play an important role in facilitating ambidexterity. According to Tushman and O'Reilly [1997], ambidexterity is fostered by the top management team's internal processes. Top and middle managers with higher levels of education and wider leadership experience play an important role in resolving conflicts in strategic planning processes [Floyd and Lane, 2000]. Smith and Tushman [2005] argued that sustained organizational performance depends on the senior team's ability to successfully attend to and deal with the challenges of exploration and exploitation. Managers are responsible and must be able to manage conflicting goals, because the

ability to balance contradictions is rooted in the senior team's paradoxical cognitions. According to Probst and Raisch [2005], keeping the balance in the long term is key to sustainable growth. Autocratic leadership with a culture of excessive success leads to extreme exploitation, and results in excessive but uncontrolled change and growth. Weak leadership with stagnating growth and the lack of a success culture are symptoms of an insufficiently developed, prematurely ageing organization. Birkinshaw and Gibson [2004] described ambidextrous managers as cooperative, opportunity-seeking multitaskers, who take the initiative and are alert to opportunities.

Volberda, Baden-Fuller and Van den Bosch [2001] stated that the conscious management and transfer of well-developed and new competencies across business units contribute to the balance of exploration and exploitation. Lubatkin et al. [2006] focused on the role of the top management team's behavioral integration, or the degree to which the senior management team acts as a single unit, in facilitating ambidexterity. They proved that integration (collaborative behavior, quantity and quality of information shared, and joint decision-making) has a positive effect on ambidexterity. Smith [2006] examined management teams of Fortune 500 companies and found that ambidextrous groups monitored mature and new products vigilantly and made constantly changes by shifting their resources to support both categories. Managers are successful in team-centric groups with extensive teamwork and leader-centric executives with individual decision-making processes.

Beckman [2006] examined 170 young high-technology firms and found that team composition strongly affected the development of ambidexterity, because firms with founding teams whose members had worked at the same company engaged in exploitation.

Diverse founding teams have a more varied set of experiences, which helps those firms to grow. Peretti and Negro [2006] found similar results and extended team design research with a structural aspect. Jansen et al. [2008] explored the role of senior team attributes and leadership behavior in achieving organizational ambidexterity. Their results show that essential elements for ambidexterity include a strong and compelling shared vision, common values among senior team members and competing goals with reward systems. These elements decrease the chance of interest asymmetries and encourage senior team members to seek synergies across

units. These results show a very close relationship with structural and contextual ambidexterity, because managers' behavior is a result of the context.

2.3.3.2 Cyclical or Sequential Ambidexterity

Several scholars have suggested that firms under specific circumstances should temporarily cycle through periods of exploitation and exploration [e.g., Brown & Eisenhardt, 1997; Brown & Eisenhardt, 1998; Burgelman, 2002; Gupta et al., 1996; Nickerson & Senger, 2002; Rothaermel & Deeds, 2004; Siggelkow & Levinthal 2003]. Cyclical ambidexterity, as defined by Simsek et al. [2009], is a cycle in which *"organizations engage in long periods of exploitation (or relative stability), interspersed by sporadic episodes of exploration (or change)"*. This temporal cycling is grounded in the literature on punctuated equilibrium, which proposes that firms develop and adapt through punctuated changes, by realigning structures and processes according to external circumstances [Tushman and Romanelli, 1985].

Brown and Eisenhardt [1997] stated that firms use "semistructures" and "rhythmic switching" to oscillate between periods of exploitation and exploration. This finding was later supported by other researchers [e.g. Rothaermel & Deeds, 2004]. Siggelkow and Levinthal [2003] also proposed that cyclical changes in structure may promote exploration and exploitation. This involved a cyclical change in formal structure and routines, practices and procedures, styles and systems of reward and control, and resource allocation. In an intensive explorative period, organizations focus on creating new business models, or, within a large corporation, an innovation because of an autonomous strategy. After this short burst, organizations (or units) subsequently shift to exploitation, and focus on process innovation and stabilizing the business model [Burgelman, 2002; Winter & Szulanszki, 2001]. Although oscillating seems a natural consequence of adaptation, business units tend to get caught in exploration or exploitation traps, which can seriously harm innovation performance [Siggelkow & Levinthal, 2003; Wang & Li, 2008].

More recently, Geerts et al. [2010] found that both sequential and simultaneous ambidexterity had positive effects on firm performance. Laplume and Dass [2012] agreed, identifying a company that had switched between sequential and simultaneous modes of ambidexterity several times during its 65-year-long evolution. Geerts et al. [2010] found that service firms were more likely to apply

sequential ambidexterity. These results suggest that sequential ambidexterity may be more useful in stable environments and for smaller firms [O'Reilly & Tushman, 2013].

2.3.3.3 *Reciprocal Ambidexterity*

Reciprocal ambidexterity, or the sequential pursuit of exploitation and exploration across units and not within business units, has received the least attention from academia. Reciprocal ambidexterity is best described as a synergistic fusion of complementary streams of exploitation and exploration that occur across time and units [Simsek et al., 2009]. In this type of ambidexterity, the exploitative output of one unit becomes the input of another unit for exploration, and this cyclical process dominates the firm's growth. This presumes not just the existence of managerial awareness and knowledge to be able to shift focus from exploitation to exploration and vice versa, but requires relationships between units involving developed information exchange, resource flows, and joint decision-making routines and problem-solving methods.

One of the few papers focusing on reciprocal ambidexterity was written by Lavie and Rosenkopf [2006]. They pointed out that exploration and exploitation can be pursued sequentially within strategic alliances. The usual reason why organizations engage in inter-firm relationships is to share their own experience and learn from others [Holmqvist, 2004]. Units in these networks usually specialize in one activity and combine exploration and exploitation at the network level, so knowledge management and inter-firm processes become especially relevant. Lavie and Rosenkopf [2006] examined US software alliances, and found that firms "*appear to balance their tendencies to explore and exploit with respect to the nature of their alliances or choice of partners over time and across domains*" [p. 814].

The debate on organizational boundaries has developed significantly in the last few decades [e.g. Dobák, 2008, Hakansson & Snehota, 1989]. Researchers have therefore begun to examine ambidexterity as an inter-organizational construct. Rothaermel and Deeds [2004] considered how alliances could be used to foster ambidexterity. Kauppila [2010] showed how a company developed and used external partnerships to complement its own exploration and exploitation activities. According to Simsek et al. [2009], this form of ambidexterity is most likely in complex environments, where

managers must be capable of disseminating information across as well as within organizations.

2. 3. 4. Current State of Organizational Ambidexterity Research

A paradigm is a theoretical framework of a scientific school or discipline within which theories, generalizations, and the methods to test them are formulated [Kuhn, 1962]. Organizational ambidexterity is currently taking shape as a research paradigm in organizational theory [Raisch & Birkinshaw, 2008]. Ambidexterity research is still in its infancy and has previously concentrated on demonstrating that focused firms show lower performance than ambidextrous ones [Brion, Mothe & Sabatier, 2010].

In Section 2.3, I will introduce important ambidexterity perspectives and research subfields, setting out the tensions, but it is important to summarize briefly the different focal points, and to understand the current state of the literature and therefore the structure of my thesis proposal. The effect of ambidexterity on firm performance is well-researched [e.g. Gibson & Birkinshaw 2004, He & Wong 2004, Lubatkin et al. 2006]. The research on the structural antecedents of organizational ambidexterity [Duncan, 1976; Tushman & O'Reilly, 1996] has been extended in the past fifteen years with the investigation of the roles played by contextual elements [Adler et al., 1999; Corso & Pellegrini, 2007; Gibson & Birkinshaw, 2004], informal networks [Gulati & Puranam, 2009], top management teams [Beckman 2006, Lubatkin et al. 2006, Smith & Tushman 2005], and environmental [Auh & Menguc 2005, Jansen et al. &] and organizational factors [Atuahene-Gima 2005, Lubatkin et al. 2006, Kyriakopoulos and Moorman 2004]. Several important research issues remain unexplored and ambiguous, however, [Raisch & Birkinshaw 2008].

2. 4. Research Gap in the Organizational Ambidexterity Literature

Birkinshaw and colleagues [2014] examined the dominant focus of management research and methodology and called for more in-depth field studies to understand the complex phenomena of ambidexterity:

"*First, we need more field observation. With some notable exceptions, as management and organization researchers we expend a tiny proportion of our energies actually observing the phenomena we want to understand. ... The benefits of close contact are many; not least insight, inspiration, curiosity, and ecological validity. The focus on management phenomena, first of all, suggests that we have to get our hands dirty and closely observe and study, or even live with, people in organizations—rather than relying on arm's length, or at worst ivory tower, approaches that are based on lab data or proxies.*" [p. 47]

Concentrating on organizational ambidexterity, O'Reilly and Tushman [2013] supported this critique, calling for more qualitative in-depth studies. This is because the core of ambidexterity is a complex and complicated management challenge with closely-related leadership, structural and contextual solutions, which are hardly separable. Consequently, scholars highlight the need for multi-level analyses, because ambidexterity is a nested construct spanning multiple organizational levels: leadership creates organizational context, structural solutions, planning and reward systems and decision-making processes, which in turn affect individual behavior patterns, culture, values and collective identity [Birkinshaw & Gupta, 2013; Gupta, Smith & Shalley, 2006; Raisch et al., 2009; Raisch & Birkinshaw, 2008]. There is, therefore, a need to develop a deep understanding of complex managerial challenges through qualitative, in-depth field studies examining multiple levels of organizations.

Güttel and Konlechner [2009:154] stated*, "research on ambidexterity has focused rather on the performance implications of ambidextrous organizational designs, than on how (especially contextual) ambidexterity is achieved and under which circumstances it is successful"*. The idea of exploration and exploitation has been studied widely, but we know far less about how organizations achieve ambidexterity [Adler et al., 1999; Siggelkow & Levinthal, 2003]. Another issue in the field is that the majority of ambidexterity studies have examined large corporations and mature organizations, which have successfully applied ambidextrous management solutions.

Little is known about how ambidexterity forms in a young firm and how structures, contexts and leadership patterns develop over time [O'Reilly and Tushman, 2013; Raisch & Birkinshaw, 2008]. As Simsek et al. [2009:888] stated, *"it is simply not known how business units or small organizations simultaneously attain exploitation and exploration".*

Güttel and Konlechner [2009] suggested that researchers could explore how different ambidextrous designs are connected to different developmental stages of organizations. The literature calls researchers' attention to the missing or unspecified key elements of context, because without knowledge about drivers, systems and processes, researchers cannot understand contextual ambidexterity in sufficient depth [O'Reilly & Tushman, 2013, Simsek et al., 2009]. Lavie, Stettner and Tushman [2010] asked why some organizations are able to be ambidextrous and others are not. To answer this question, they recommended the systematic examination of the organizational and managerial antecedents and different types of resources required for exploration-exploitation tendencies, and the trade-offs, costs and challenges of balancing efforts.

As more recent literature has revealed, competition caused by a mismatch between behavior and motivation of managers (internal rivalry) has a negative effect on ambidexterity [De Clerq et al., 2014]. If personal interests and organizational expectations are basically in line, dense social relations act as coordination mechanisms for differences between informal and formal organization, and can enhance the effectiveness of operations, but only after the successful implementation of a formal structure [Gulati & Puranam, 2009; Jansen, Van den Bosch, Volberda, 2006, Mirow et al., 2015]. In other words, a wide range of questions remain about organizational context.

Numerous articles [e.g. Romanelli & Tushman, 1994; Mom et al., 2007; O'Reilly & Tushman, 2007 & 2011; Carmel & Halevi, 2009; Brion, Mothe, Sabatier, 2010; Rosing, Frese & Bausch, 2011] have articulated the important role of top management in organizational ambidexterity. At the managerial level, it is not clear from the literature what types of human and social capital (generalist or specialist and cooperative or entrepreneurial) enable the combined pursuit of exploitation and exploration [Simsek et al, 2009]. Researchers should also consider how

characteristics of the senior management team, such as leadership skills, contribute to ambidexterity [Lavie, Stettner, Rosenkopf, 2010].

Although we know, that contextual ambidexterity may be best supported by generalists who are capable of parallel thinking and dividing their attention between exploration and exploitation [Birkinshaw & Gibson, 2004], but according to Greiner [1972], however, in different growth phases, different traits and competences dominate and characterize middle and top management.

Previous studies have failed to examine how leaders actually manage the interfaces between exploration and exploitation with resource, asset and capability allocation between old and new business opportunities [O'Reilly & Tushman, 2013]. Carmeli and Halevi [2009] proposed that top managers' behavioral complexity strongly affects the formation of organizational ambidexterity and context. Managers with a wider behavioral repertoire are better able to handle strategic contradictions, but previously successful management-patterns and emerging path dependency can decrease this behavioral complexity and so hinder the formation of ambidexterity.

In summary, little is known about:

- How ambidexterity develops in the early growth stages of a firm;
- The drivers of ambidextrous organizational context; and
- How managers handle the formation process of ambidexterity.

To answer these questions, scholars have suggested applying a qualitative methodology and examining organizations on multiple levels.

2. 5. My Intepretations and Definitions

The theoretical introductions and research gaps make it necessary to formulate an own interpretation of organizational ambidexterity and organizational context. The latter is oftenly criticized by its vague definition, therefore I will combine Ghoshal and Bartlett's [1994] construct with Dobák and Antal's [2010] management functions in order to operationalize and detail better the current definition.

2. 5. 1. My Interpretation of Organizational Ambidexterity

Exploitation and exploration are conceptualized in the literature as either end of a continuum. Managers are responsible for determining the right balance between the

two, which is dependent on the constantly changing, relative importance of these activities in the specific situation [Gulati and Puranam 2009; Raisch et al., 2009]. Although Raisch et al. [2009] described significant tensions in the field of organizational ambidexterity, there are empirical evidences that ambidexterity can eliminate the paradox of exploration and exploitation. Despite the fact that the field is currently not unified, prior studies show that the different constructs of ambidexterity are complements and not alternatives. Focusing on the theoretical background of this dissertation, Birkinshaw and Gupta [2013] stated that no single unit of an organization does only one thing, so contextual ambidexterity is a complement and not a concurring construct of structural ambidexterity rather than an alternative [Birkinshaw & Gibson, 2004]. This is an important result, which makes important to form my interpretation of ambidexterity and to define the relation of contextual ambidexterity to the other subfields and constructs.

At first sight, organizational ambidexterity's antecedents, which include structural, contextual, and leadership-based factors, have been implicitly conceptualized as alternative solutions. Raisch and Birkinshaw's [2008] in-depth analysis of the literature, however, revealed complementarities between the different constructs. A common culture and vision, and supportive and flexible leaders, managers, top management teams and leadership processes are essential prerequisites of structural ambidexterity [Smith & Tushman, 2005; Tushman & O'Reilly, 1996]. These are very similar to Gibson and Birkinshaw's [2004] elements of "organizational context".

To conclude, organizational context explicitly includes the structural context. There is an important role played by top management teams in fostering contextual ambidexterity: *"Organizational ambidexterity is not simply a matter of structure"* [O'Reilly & Tushman, 2007:14]. Recent in-depth studies have revealed more complementarities between the different constructs of ambidexterity: companies use different combinations of these alternative solutions and change cyclical, structural and contextual ambidexterity over time, depending on their current growth stage and on external factors [e.g. Chen & Katila, 2008; Kauppilla, 2010; Laplume & Dass, 2012; O'Reilly & Tushman, 2013]. Long-term growth is impossible without the simultaneous or cyclical pursuit of exploration and exploitation activities during a company's life cycle. Environmental circumstances, path dependencies and internal

capabilities shape how an organization can become balanced and ambidextrous in different growth phases [e.g. He & Wong, 2004; O'Reilly & Tushman, 2011]. Kauppilla [2010:284] stated, *"in reality, firms are likely to create ambidexterity through a combination of structural and contextual antecedents and at both organizational and interorganizational levels, rather than through any single organizational or interorganizational antecedent alone"*.

I therefore don't interpret the definition of ambidexterity as a choice between different alternatives. In my opinion, ambidexterity is the continuous and ongoing pursuit of balance between the efficient exploitation of current opportunities and the necessary exploration of new ones, using contextual, structural, or cyclical solutions or a combination of these. I believe that these constructs as complementary.

I do not exclude the possibility that organizations may apply different patterns, but I assume that these differences are rooted largely in external factors. The interesting question is not whether one particular aspect is used or not, but how ambidexterity is achieved.

I would like to examine ambidexterity, especially organizational contexts (including structure, systems and managers) from a dynamic point of view. Time is therefore a relevant factor in my research [O'Reilly & Tushman, 2013]. Without balancing exploration and exploitation over time, long-term growth is challenged [O'Reilly & Tushman, 2011], because as complexity and size increase through exploration, organizational contexts become obsolete and managers are forced to reconfigure.

Lavie, Stettner and Tushman [2010] suggested that the exploration–exploitation framework should be conceptually related to March's [1991] original definitions. Exploitation is associated with building on the organization's existing knowledge base. Exploration refers to a shift away from current knowledge base and skills. I therefore interpret exploitation as *"a clear sense of how value is being created in the short term and how activities should be coordinated and streamlined to deliver that value"*, and exploration as *"the ability to move quickly toward new opportunities, to adjust to volatile markets and to avoid complacency"* [Birkinshaw & Gibson, 2004]. These definitions are consistent with Penrose's [1959] suggestions. She described growth as a balance between quantitative expansion and the development of management systems and knowledge, i.e. organizational context. This statement is

very likely to the essence of ambidexterity literature. Excessively fast growth or inadequate development of knowledge can both harm future prospects and ambidexterity. According to Birkinshaw and colleagues [2014] and O'Reilly and Tushman [2013], more in-depth field studies are required to understand the real processes and drivers of ambidexterity.

2. 5. 2. My Interpretation of Organizational Context

Lavie, Stettner & Tushman [2010] stated that organizational structure, culture, identity, age, and size and managerial systems and processes are important antecedents of ambidexterity. Ghoshal & Bartlett [1994] commented that union of these factors, the organizational context is created and renewed through tangible and concrete management actions that influence every individual in the organization. They identified discipline, stretch, trust and support as key factors of context, but this classification was criticized by others, who called for more detailed definitions.

Güttel and Konlechner [2009] filled this gap by studying how organizations enable and govern contextual ambidexterity. They identified five formal structural elements that keep ambidextrous organizations in line: operationalized business model, target agreements, semistructures, project-based structures, and HR systems. Statements of intellectual capital, balanced score cards, personal target agreements and management by objectives, performance reviews or other strategic controlling systems are applied as tools for target agreements. In standardized areas, contextually ambidextrous organizations use detailed procedures, structures, and processes. In contrast, formal, fluid project-based structures are common in explorative structural elements. Top management teams use mission statements, strategic plans, or objective-based management systems to synchronize the organization with the ambidextrous business model and to explicitly and clearly manage resource allocation. Although Güttel and Konlechner's [2009] article provides a deeper insight into the structure, processes, management and culture of a contextually ambidextrous organization, its main limitation is the sample, because they focused only on research-intensive firms. Therefore, authors encourage further researches to examine the organizational context of companies with different profile, industry and size.

Table 5: Interpretation of Organizational Context

Elements of organizational context [Ghoshal & Bartlett, 1994]	Management functions [Dobák & Antal, 2010; Fayol, 1916; Gulick & Urwick, 1937; Koontz & O'Donnel, 1964]	Personal interpretation of context element	Main authors
Stretch	Strategy and goal-setting	Management by objectives: strategy, vision, goal-setting	Drucker [1986]; Marlow & Schilhavy [1991],
Support	Organizing	Clear structures and processes with appropriate coordination, division of labor, authority and responsibilities	Taylor [1911], Fayol [1916], Bühner[1994], Khandwalla[1975]
Discipline	Control	Control process: standards, measurement, performance gaps, feedback, change in behavior and performance.	Anthony & Govindarajan [2009], Herzberg [1968], Skinner [1938], Ouchi [1980]
Trust	Leadership	Leadership style and roles, decision-making processes	Hersey & Blanchard [1977], Mintzberg[1979]

To conceptualize and understand organizational context, I interpret its definition as the basic management functions of Dobák and Antal [2010], who built their classification on the most important management classics of strategy and target-setting, organizing (structures and processes), control and leadership (See Table 5).

According to the Ghoshal and Bartlett [1994], **stretch** covers the responsibilities of management for establishing shared ambition, creating collective organizational identity and giving personal meaning to individual contribution to firm-level performance. This definition is consistent with Drucker's [1986] target-setting process in a leadership philosophy based on management by objectives. Based on Drucker [1986] and Marlow and Schilhavy [1991], I define **stretch** as:

- How employees are involved in target-setting;
- How employees get customized, personal targets;
- How these targets are integrated with organizational strategic goals;
- How these targets help them to understand the future of the organization; and

- How this target-setting process supports planning in the organization.

Ghoshal and Bartlett [1994] identified **support** as an organizational element that gives greater availability of resources, greater autonomy and more support for initiatives. Dobák and Antal [2010] defined the management function **organizing** as the synchronization of human and material resources to meet personal and organizational targets. Managers are expected to:

- Create and synchronize clear structures and processes; and
- Create separate, customized jobs to define responsibilities, authority, autonomy and access to resources.

Managers have various tools to create a supportive organizational context without institutionalized conflicts [Bühner 1994; Fayol 1916; Khandwalla 1975; Taylor 1911], including:

- Division of labor;
- Division of authority, centralization or decentralization;
- Coordination mechanisms (structural, technocratic and personal); and
- Organizational configuration (simple, functional, divisional, matrix).

Discipline refers to clear standards and expectations of performance and behavior, a system of open and fast-cycle feedback, and consistent system of sanctions [Ghoshal & Bartlett, 1994]. This definition is similar to the characteristics of Anthony and Govindarajan's [2009] control process:

- Control is a process, based on active feedback to employees to collectively meet strategic goals;
- Personalized standards are defined for the controlled units and individuals;
- These standards are measured using diverse indicators (for example, the balanced scorecard [Kaplan & Norton, 1996], or bureaucratic, financial and clan-mechanisms [Ouchi 1980]); and
- Facts and standards are compared, to find performance gaps and modify personal behavior with consequences (hygiene and motivator factors [Herzberg, 1968]; positive and negative consequences [Skinner, 1938]).

Finally, Ghoshal and Bartlett [1994] defined **trust** as a higher level of perceived fairness in the decision processes, broader involvement in core activities and an

increase in overall level of personal competence. According to Dobák and Antal [2010:370], personal leadership is the quality and quantity of interactions between leader and employees that defines the potential of involvement in decision-making processes. Personal leadership is shaped by the following styles and roles:

- Situational leadership theory: There is no single "best" style of leadership. Effective leadership varies, and depends on the person or group and on the task, job or function that needs to be accomplished. It may include telling, selling, participating and delegating [Hersey & Blanchard, 1977].
- According to Mintzberg [1979], there are ten primary roles or behaviors in three groups (interpersonal, informational and decisional) that can be used to categorize management functions.

To understand organizational context in depth, which I regard as the most important antecedent of ambidexterity in business units or middle-sized companies, I have combined Ghoshal and Bartlett's [1994] context definition with Dobák and Antal's [2010] management functions.

3. RESEARCH METHODOLOGY

Research methodology consists of five factors: goals, conceptual framework, research questions, methods and validity [Maxwell, 1996]. This chapter introduces my methodology.

3. 1. Research Goals

My research purpose is to understand how young firms develop ambidextrous organizational contexts and how different managerial levels engage in these design processes. Table 6 shows my research focus.

Table 6: My Research Focus

Included	Not included
Formation process of contextual ambidexterity	Understanding the choice between structural and sequential ambidexterity, analysis of performance-differences of the alternative constructs
Organizational, unit level	Individual or interorganizational level
Development process of ambidextrous organizational context in middle-sized organizations	Attributes of mature ambidextrous organizational context
Lack or presence of drivers, systems, processes and leadership patterns of ambidextrous organizational context	Personal leadership roles and styles of individual managers
Role of top and middle management as organizational levels in the development of ambidextrous organizational context	Individual behavior of managers in an ambidextrous context

Source: Own edition

Little is known about how small organizations or business units develop ambidextrous contexts, the drivers of these contexts and how leaders manage these processes and develop the human capital of the firm. There is a particular shortage of field observations and qualitative case studies examining how leaders manage the interfaces between exploration and exploitation, how organizations develop their contexts over time and how they overcome path dependencies [Birkinshaw et al., 2014; Lavie, Stettner & Tushman, 2010; O'Reilly & Tushman, 2013; Raisch & Birkinshaw, 2008; Simsek et al., 2009].

My research aim is therefore to understand which systems and processes are essential to support the evolution of ambidextrous organizational context, and the lack of which systems and processes holds this back. The reason for choosing contextual, rather than structural, ambidexterity as a conceptual framework is based on the assumption that the size of the organization and the involvement of a founder-manager in exploitative and explorative activities do not make it necessary or feasible to develop separated structures. Organizations may show different patterns along differentiation versus integration and simultaneous versus cyclical ambidexterity tensions [Raisch et al., 2009], but I assume that these differences are rooted in environmental factors, and that organizational context will integrate structural and leadership aspects in middle-sized companies.

At this point, it is important to highlight what questions are not in my research focus. I do not propose to examine individual and interorganizational levels. My focus is the context and not behavioral patterns shaped by contextual elements or individual management characteristics. I do not wish to consider which construct (contextual, structural or cyclical) is appropriate, because I interpret these aspects as complementary.

3. 2. Conceptual Framework And Research Questions

I define contextual ambidexterity, the main theoretical background of my thesis as [Gibson & Birkinshaw, 2004]:

- A set of processes and systems that enables and encourages individuals to make their own judgments about how to divide their time between exploration and exploitation;
- A more sustainable model that eliminates the coordination costs of separated business units and facilitates the adaptation of the whole organization;
- A multi-level construct where the context is the reason and behavior is the effect: ambidexterity is facilitated (or constrained) by the organizational context in which the individual operates.
- Creating an environment in which flexible, generalist managers perform better.

Figure 3: Presumptions
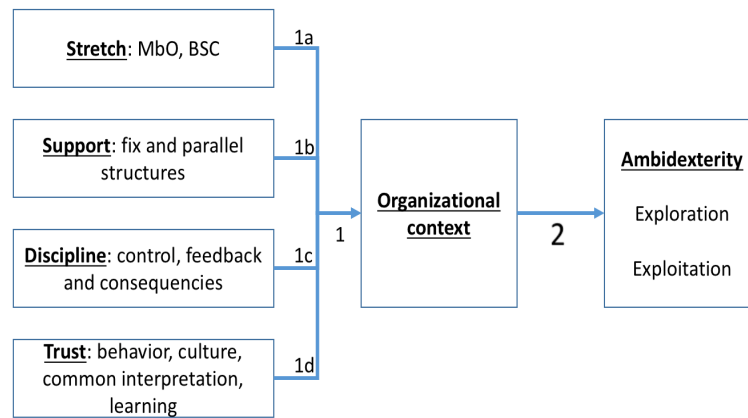
1. The more the organizational context contains developed strategic, organizing, control, leadership and cultural management tools, the lower the perceived level of organizational tensions and contradictions is (Birkinshaw & Gibson, 2004; Flamholtz & Hua, 2002; Ghoshal & Bartlett, 1994; Gibson & Birkinshaw, 2004; Güttel & Konlechner, 2009).

2. The more the organizational context contains developed strategic, organizing, control, leadership and cultural management tools, the higher level of ambidexterity the organization can achieve (Birkinshaw & Gibson, 2004; Gibson & Birkinshaw, 2004; He & Wong, 2004).

The central question of my research is the following: *The presence or the absence of what intentional, organizational, control, leadership and cultural elements will support or obstruct the development of ambidextrous organizational context in middle-size corporations?* As the 3. Figure shows, I formed two subquestions, which

define my main research focus, the more detailed definition of the organizational context and relationship between context and ambidexterity:

1. The more the organizational context contains developed strategic, organizing, control, leadership and cultural management tools, the lower the perceived level of organizational tensions and contradictions is [Birkinshaw & Gibson, 2004; Flamholtz & Hua, 2002; Ghoshal & Bartlett, 1994; Gibson & Birkinshaw, 2004; Güttel & Konlechner, 2009].

2. The more the organizational context contains developed strategic, organizing, control, leadership and cultural management tools, the higher level of ambidexterity the organization can achieve [Birkinshaw & Gibson, 2004; Gibson & Birkinshaw, 2004; He & Wong, 2004].

Greiner [1972] gave clear suggestions in his growth model as to what structures, control and reward systems and leadership styles to apply to maintain efficiency and the ability to explore new business opportunities. Although these results are widely accepted, he also stated that "*the phases outlined here are merely five in number and are still only approximations*". There is a need to understand more deeply the contextual drivers of growth-oriented firms, which constantly pursue balance between new and old, mature and undiscovered, stable and risky [Birkinshaw et al., 2014; Greiner, 1972; Lavie, Stettner & Tushman, 2010; O'Reilly & Tushman, 2013; Raisch & Birkinshaw, 2008; Simsek et al., 2009]. Exploring the characteristics of successful organizational contexts is essential, because excessive internal rivalry caused by deficiencies of context has a negative effect on ambidexterity. If values, interests and context are aligned, an informal organization can enhance the effectiveness of an adequate formal organizational structure [De Clerq et al., 2014; Gulati & Puranam, 2009, Mirow et al., 2015]. According to Simsek et al. [2009], it is interesting to consider how units and organizations overcome path dependencies, because earlier contextual decisions strongly define present possibilities and potential when restructuring and reconfiguring become necessary [Greiner, 1972; Tushman & Anderson, 1986;].

According to Ghoshal & Bartlett [1994], organizational context is created and renewed through tangible and concrete management actions. Managers play a fundamentally important role in organizational transformation and implementation of ambidexterity [e.g. Romanelli & Tushman, 1994; Mom et al., 2007; O'Reilly &

Tushman, 2007 & 2011; Carmel & Halevi, 2009; Brion, Mothe, Sabatier, 2010; Rosing, Frese & Bausch, 2011]. Shaping the organizational context through vision, values, common identity, personal leadership, communication, targets, resource allocation, controls and rewards is the central task of general managers [Baden-Fuller and Van den Bosch, 2001; Birkinshaw & Gibson, 2004; Floyd and Lane, 2000; Ghoshal & Bartlett, 1994; O'Reilly and Tushman, 2007 & 2011; Smith and Tushman, 2005; Tushman and O'Reilly, 1997]. Without senior managers having cognitive complexity, it is hard to handle the paradoxes of exploration and exploitation [O'Reilly & Tushman, 2005]. Top managers and their level of behavioral complexity have a key role in ambidexterity [Brion, Mothe and Sabatier, 2010; Carmeli & Halevi, 2009; Mom et al., 2007; O'Reilly & Tushman, 2007]. Middle management also plays a decisive role, because integrating, developing and applying new competencies, which is necessary in different growth stages, strongly affects ambidexterity [Beckman, 2006; Greiner, 1972; Smith, 2006].

At this point I would like to conclude again my definition of ambidexterity. I interpret ambidexterity as the continuous and ongoing pursuit of balance between the efficient exploitation of current opportunities and the necessary exploration of new ones, using contextual, structural, or cyclical solutions or a combination of these. I interpret these constructs as complementary. If exploration and exploitation are not balanced over time, long-term growth is challenged [O'Reilly & Tushman, 2011], because complexity and size increase as a result of exploration, making organizational contexts obsolete and forcing management to reconfigure. Like Birkinshaw and Gibson [2004], I interpret exploitation as "*a clear sense of how value is being created in the short term and how activities should be coordinated and streamlined to deliver that value*", and exploration as "*the ability to move quickly toward new opportunities, to adjust to volatile markets and to avoid complacency*". Managing growth is about finding the balance between quantitative expansion of the firm and the development of management systems and knowledge, i.e. organizational context [Greiner, 1972; Penrose, 1959].

3. 3. Methods

3. 3. 1. Decisions on Methods

Birkinshaw and colleagues [2014:47] criticized the overuse of quantitative methods of management research, because "*management and organization researchers expend a tiny proportion of their energies actually observing the phenomena they want to understand*". They suggested in an article debating the future of management research that "*researchers have to get their hands dirty and closely observe and study, or even live with, people in organizations*" to "*gain insight, inspiration, curiosity, and ecological validity*" [p. 47]. As I have shown, ambidexterity is a complex and complicated management challenge with diverse aspects (structure, context, time, behavior) that are hard to separate, which is why determinative scholars have called for more qualitative and longitudinal in-depth studies with diverse multi-level data. This will support deeper understanding of the organizational context (including structural solutions, planning and reward systems and decision-making processes) that affects individual behavior patterns, culture, values and collective identity [Birkinshaw & Gupta, 2013; Gupta, Smith & Shalley, 2006; Raisch et al., 2009; Raisch & Birkinshaw, 2008].

 "*Research on ambidexterity has focused rather on the performance implications of ambidextrous organizational designs, than on how (especially contextual) ambidexterity is achieved and under which circumstances it is successful*" [Güttel & Konlechner, 2009:888]. Many scholars have noted this gap and highlighted that we know far less about the process of how organizations achieve [Adler et al., 1999; Siggelkow & Levinthal, 2003] and maintain ambidexterity, and reconfigure their context over time [Güttel and Konlechner, 2009; O'Reilly and Tushman, 2013; Raisch & Birkinshaw, 2008; Simsek et al., 2009]. I want to understand the process of how business units and middle-sized organizations achieve ambidexterity.

To achieve these research goals through process research needs a range of more intrusive methods, including detailed longitudinal fieldwork [Chakravarty & Doz, 1992] and precise determination of research object, situation and operation analysis [Veresné, 2010]. According to Chakravaty and Doz [1992], cross-sectional studies are only appropriate if the organization is in a steady state of adaptation with its environment. The process of formation of a context is, however, a dynamic

phenomenon. My research aims to understand the process of formation of organizational context and the role of management in it from a dynamic point of view, so I therefore apply case study-based, qualitative methodology with a longitudinal, historic approach.

This methodology is suitable if the researcher wants to understand the particular context within which the participants act and its influence on their actions, and the process by which events and actions take place to create a new grounded theory that explains new phenomena and influences [Maxwell, 1996; Miles & Huberman, 1984]. Miles and Huberman [1984] suggested that field research is a better methodology than quantitative approaches when the aim is to develop explanations of causality. A case study is an appropriate methodological choice if the researcher wants to expand the theory and generalize from the study of complex phenomena in their contexts [Baxter and Jack, 2008].

According to Yin [1994], case studies are recommended when:

- "How" and "why" questions are important;
- The researcher has little or no control over the examined individuals; and
- The researcher wants to understand contextual conditions, because context and the examined phenomenon are hard to separate.

Qualitative methods can be criticized for their potential lack of rigor, reliability and generalizability [Johnson, 1994]. These negative characteristics can, however, be addressed using triangulation of data and methods to ensure the validity of the research [Denzin 1978].

According to Yin [1994], one in-depth case study can be suitable to understand the problems being examined in the research. Data and methodological triangulation can eliminate the risks of lack of rigor, validity and generalizability. Case studies can involve either single or multiple cases and use an embedded or holistic design [Yin, 1994; Eisenhardt, 1989]. I want to use a single case with an embedded design. I will investigate more organization comprehensively, at more levels. I have multiple research units, including the organizational context (drivers, systems, structure, processes) and top and middle managers.

I will examine every management levels of five carefully-selected organization, with the characteristics described in the next section, drawing on the analysis of financial

data, interviews with multiple managers and employees, and the results of observations. This diversification will contribute to data and within-method triangulation, where "*multiple complementary methods ... are used in data collection and analysis in order to increase internal credibility of the research findings*" [Hussein, 2009:4].

3. 3. 2. Sampling

Sampling means that the researcher chooses units to allow comparisons across the research questions, theory and explanations [Mason, 2002]. Sampling should avoid simple selection of those units that will support the researcher's theory. In other words, the researcher should ensure that the sampling process does not focus solely on the verification of theories but on the testing process, and it is important to also show any results that do not support the theories [Mason, 2002:115].

As described earlier, I want to apply a multiple case study-based, qualitative methodology with a longitudinal, retrospective approach, to understand which systems and processes are important for supporting or holding back the evolution of ambidextrous organizational context and the emergence of organizational ambidexterity.

I selected five companies along the following sampling criteria:

- Size: annual turnover between €2 million and €30 million with high growth rate.

- Age: this is a critical factor in growth, so I decided to choose an organization that is at least 10 years old.

- Structure: the organization has to have at least three organizational levels and two managerial levels.

- The firms must perform explicitly intended explorative and exploitative projects and activities.

The reason for selecting these sampling criteria is that I would like to examine the formation process of ambidexteritiy and define the organizational context, therefore I need to observe organizations, which are able to growth from their own power. These organizations should have generalistic management because of their size and complexity, which is essential to organizational ambidexterity [Birkinshaw & Gibson, 2004; Gibson & Birkinshaw, 2004]. The most important criteria is that the examined firms must have explorative projects beside their efficiency-seeking, mature operation. The 7. table summarizes the companies' characteristics.

Table 7: Sample Characteristics

Company, profile	Annual turnover (2015)	Number of employees (2015)	Number of management levels	Explorative projects
Manufacturer and trading company	16 M €	390	4	Product development, technological investments, new activity, factory construction
Machine manufacturing company	17,6 M €	332	4	Radical product development
Agricultural company	16,1 M €	85	3	Product, IT- and technology development, market exploration and new sales activities, new activites through acquisitions
Logistics company	8,6 M €	154	2	New, integrated logistical solutions, system integration, technological development
IT Company	1,8 M €	22	2	Radical product development, market exploration

This characterization narrows the generalizability and limits the validity of my research, for example companies that aren't externally forced by the market to continuously explore and younger and older firms as well.

3. 4. Data Collection

According to Malhotra [2001], an in-depth interview is a direct, personal, unstructured discussion between a highly educated interviewer and an interviewee. The aim of this discussion is to explore the interviewee's motivations, views, attitudes and feelings about the covered topics. Interviews were conducted with top managers, middle managers and key employees. The interview results were completed with field observations (management meetings, planning meetings, workshops) and document analysis (see Table 8.).

Table 8: Interviewees, Observations and Documents

Company	Interviewee	Observation	Documents
Manufacturer and trading company	CEO Sales manages Inland sales manager Export manager Production manager 2 plant managers Inventory manager Purchasing manager Logistics manager Service manager HR manager R&D manager CFO	Process development workshops Management meetings	ERP system specification Internal regulations and processes Manufacturing norms and product descriptions Forms
Machine manufacturing company	CEO Sales manager Production manager Technology manager R&D manager Purchasing manager	Process and organizational develoment workshops Management meetings	Directives Meeting notes Performance reports Compensation system

Agricultural company	CEO COO CFO IT manager Production manager Sales manager Plant manager	Strategic and planning workshop Organizational design workshop Informal conversations	ERP system specification Financial reports Process documentation Forms Performance reports Plans Compensation and reward system
Logistics company	CEO COO CFO Logistics manager Fleet manager	Process development workshops Informal conversations	Directives Administrative forms and spreadsheets Process documentation Performance reporrs
IT Company	CEO COO Leading developer	Process development workshops Management meetings Strategic and annual planning workshops	Compensation and reward system Customer reports Process documentations

Unfortunately, I do not have the opportunity to follow the organization's development from the beginning and so completely reveal causalities between past, present and future. To compensate for this, historical approach was applied during the interviews and data collection. This means that was a strong focus on the history of the dynamic constructs examined, such as the change processes of organizational context [Bucheli & Wadhwani, 2013]. This will direct the selection of data sources and collection, topics and analysis towards issues of time and change [Bucheli & Wadhwani, 2013; Ingram et al., 2014; Kipping & Üsdiken, 2014]. But this methodology has limitations: perception change over time, therefore the interpretations of the interviewees can't be considered as absolutely consistent results.

Interviews covered the following topics based on Dobák and Antal [2010] and Ghoshal and Bartlett [1994]:

- Stretch – strategy and goal-setting, including management by objectives.
- Support – organizing, including clear structures and processes with coordination tools, division of labor, authority and responsibilities.
- Discipline – control process, standards, measurement, performance gaps, feedback, changes in behavior and performance.
- Trust – leadership style and roles, decision-making processes.

The research is based on partly structured interviews, i.e. the the previously compiled questionnaire was just a guide. The results were analyzed with the software QSR Nvivo. The code structure is based on Dobák and Antal [2010]. (See Appendix 1 and 2 for the questionnaire and code structure.)

4. RESULTS

4. 1. Manufacturer and Trading Company

4. 1. 1. A Brief Description of The Company

The following case study presents a Hungarian company that requested anonymity. The company is nationally and internationally a very successful manufacturer and dealer, works with more than 500 employees and has its own developing and production capacity and constantly renews its products and markets. The company is led by two managers, who are excellent distributors and are deeply concerned about the market, as they develop new products based on the regular analysis of the needs of the costumers. The spectrum of the products produced and sold by the company ranges from standard home decor products and furniture to complex and expensive products (a single item can be worth several million Hungarian Forints). The customer base consists of private individuals as well as of the whole domestic touristic market. In addition, foreign private individuals and multinational home improvement supplies retailing companies can reach the products through distributors. The company is the market leader in Europe. This brief description already reflects that the company can be seen as perfectly appropriate for the analysis of ambidexterity (which does not exist yet in the company) and organizational context (the analysis of which is important in connection with ambidexterity). In the past ten years, the company has experienced radical growth. This expansion can be seen as significant in the exploring activities as well as in the covering capacity. Due to the engagement of the product development department and the executive board, the company could develop and widen its product range dramatically. Additionally, thanks to the aggressive market behavior, the company could evolve within a short period of time to one of the TOP 5 companies worldwide. The company also established its own production capacity, which required new competencies. For its young age, the company is completely suitable for the analysis of the change in the organizational structure, of the balance between exploration and covering of a failure.

Basically, the corporation has a functional structure. For this reason, interviews have been made with the whole top and middle management including the CEO and his brother, the Sales Director; the manager responsible for the domestic market and the

manager responsible for the export market at the trade department, the Production Director, the two Plant Managers working for the Production Director, the Depot Manager, the Head of Procurement, the Logistics Manager, the Service Manager, the HR Manager, the R&D Manager and the CFO.

4. 1. 2. Development of the Corporation

Despite the general concerns in the 90s, two brothers saw potential in the expansion of China. Due to their curiosity, they bought flight tickets to visit this country and to understand the 'China-phenomenon'. *"We visited China, because we wanted to understand what is happening there."* (Sales Director) At the beginning, they started to distribute standard Chinese products, as the Financial Manager said: *"Everyone had one or more (already three) Tamagotchies from us."* They saw this country moving forward from year to year and were impressed by the radical development of the Chinese know-how and capacity. The development of the Hungarian building industry and the domination of expensive Western products led to the realization of a serious market gap. In a close cooperation with the Chinese producers they started to import products in an acceptable quality for the European market. The main disadvantage of the products, the Chinese origin has been counterbalanced with strong PR and marketing activities.

"Marketing, sales and product development. We could realize a market gap and produce covering the needs of the customers and that was our strength. We visited China even 3-4 times a year." (CEO) In the first period, the corporation could have been characterized as a small functional organization but from several points of view as a company with a simple structure. The focus was clearly on product development, marketing and sales. The company had no other organizational unit but a coherent and creative community. Our group worked in a way so that they can *"redeem the world"*. (HR manager)

The company suffered from the consequences of the financial and economic crisis more than usual. On the one hand, the market has been destroyed, on the other hand, however, the founders tried to pass on the operational management of the company (that has grown into a middle-sized company at that time) to an interim manager who was appointed to the managing director but was not able to do his work satisfactorily. The company has almost lost its executive board and for this reason the founders had

to take back the main management functions. Already this case demonstrated clearly the organizational and functional defects comparing to the size of the company but could not influence negatively the engagement of the founders.

After the crisis, the costs of the Chinese suppliers had been raised. In order to countervail the increased expenses, the company entered the market of its partners and introduced more and more qualitative and complex products. This led to the change of the status quo after twenty years. Actors from the Far East could change the simple structure of the production in a short period of time. With buying smaller European trading companies they gained market and marketing know-how, started to develop their own products and wanted to reach customers directly. Although they had a serious disadvantage: the geographical distance. The delivery period to Europe took 6-12 weeks which was a real disadvantage on a seasonal market. In the case of valuable products with changing customer needs, taking supplies into stocks is always profitable (also on the Chinese level of costs).

For this reason, the executive board decided to move radically in a different direction: an own production facility was built consisting of three different sub-units. These sub-units produce the main parts of the products that are put together by the workers on a partly automated assembly line. The investment opened new dimensions. With short delivery periods, European quality, but with an *"Eastern European price"* (CEO) the company could be very successful within a short period of time. Today, we see a very successful company that experienced serious growth, received a lot of recognition on the market, and has been led by a qualified executive board and is part of the leading group of its branch worldwide. However, there can be seen serious obstacles in the company. In the following subsection the company will be analyzed in detail regarding the objective (1a), organizational (1b), controlling (1c) and leading (1d) aspects that have been introduced within the conceptual framework. The aim of the analysis is to understand how the existence or lack of these factors contributes to the tensions and paradoxes that can be interpreted in the organizational context and how this context affects the contextual ambidexterity of the company.

4. 1. 3. Objectives, Collective Identity and Leadership

In the following subsection the objectives along with the strategic development, individual leadership and cultural functions will be considered. The reason for this consideration is that the company seems to work with a serious functional structure but in many cases the executive board is dominated by individual management clan elements that can be seen as typical in the context of companies with a simple structure. Although the executive board plays in the strategic development always an important role, in this case the behavior, values, entrepreneurial and exploring habitus of the founders determine the system of objectives and anomalies in the company more than usual.

The goal-setting, as a function in the management introduced within the contextual framework, forms an important part of the organizational context. Defining the goal creates stretch, common urge of activity and ambition. If these aspects are paired with an accurate structure and operation, an effective and collective organizational identity can be reached which helps to establish individual motivation and to create and interpret the sense of individual contribution. The objectives and the organizational unity reached by defining aims is although a phenomena resulted by several actors [Ghoshal&Bartlett, 1994]. It needs the ambitious and consistent work of the management.

The most important strengths of the company analyzed in the present paper are *"the sense of the market"* (CEO), the stretch and covering a maximum of customer needs. According to the consistent opinion of the executive board, the activity of the company could be crowned with success due to these strengths. Even American competitors with 40-50 years of experience cannot react so flexibly and rapidly as the company analyzed. For this reason, they could reach a significant position on the European market within a short period of time. However, these days assessing the stretch is not consistent anymore. As the company developed from a product developing and commercial enterprise to a manufacturing and trading company, the former focus has had significance also in the new period. *"The production is really trade-led (factory manager)"* In the past, the small-sized company with a simple structure could rapidly adapt to the constant changes of the market. Today, considering the present structure, the company can be defined as functional but not as flexible and the rapid adaptation of the changes is not possible. If the inflexible

company meets with the flexibly developing market, serious conflicts can be maintained. *"The stretch exceeds my capacity… This field cannot be extended (the production director)."*

According to the executive board the main reasons of the problems are directly linked to impulsiveness of the founders. (For this reason it is significant to describe the functions of management, culture, trust and goal-setting at once). *"The owners of the company expect promptness. For example, they see a product at a fair and they would like to have it immediately. The owners/founders are controlling the whole process until the creation of an elevation plan. In addition, they determine the quickness of the process which is related to overtime hours and to postponing other projects. (development manager)"*. The rapid reaction to the changes of the market, covering the needs of the customers immediately is an important capacity and meant clearly a competitive advantage in the past, but now it makes barriers between organizational units and leads to serious anomalies. Although the signs for the anomalies are more and more visible in X stocks, delaying delivery times and low production efficiency, the pleasure of the owners in exploring new products cannot be influenced negatively. *"We receive an order for a new product. The tool and configuration are done, but we did not get any work instruction and produced already 13 items! This is because of the sale pressure."* (Factory Manager)

The signs are more and more visible. *"Due to organizational problems yearly 1.2 billion forint is created as opportunity costs."* (Financial Manager) *"On the one hand, the company is developing, but on the other hand it cannot make any progress. The functioning of the company does not show the amount of investments."* (HR Manager) Although, the company took measures to solve the problems, they were inefficient due to the lack of strategic unity. It is the sales that has had the dominant role because of the company history and focus of the owners. For this reason meeting the expected and real needs of the customers can overwrite the rules in many cases. The clearest step was reducing the product portfolio and strengthening the distribution of pre-produced products from stock. *"The wide spectrum of products that we had before is now limited"* (Exports Manager) An interesting paradox can be found in this context: several employees do not even know about this step while others had a negative opinion about it. *"We had a great amount of products in stock*

this year." (Depot Manager) Individualism, individual performance, force to prove and competitive spirit form important parts of the culture of a company.

The paradoxes and opposites between the company with covering capacity and the pleasure of exploring of the owners can be seen also at the level of explicit strategy. *"Defining the basic values of the company is in progress. We tried to set our vision and basic goals several times without success.* The question is: what are the basic goals?* The marketing department can show the presentation, but there is no absolute consent. The employees just agree because the new ideas are constantly coming."* (Production Director)

While making the interviews particular attention has been paid to point to the differences regarding the strategy observed by the employees. Even the two owners have a different definition of the strategic portfolio which includes geographical extension, the orientation towards premium segment, the launch of a new product line and the need to increase quantity. For the question about the order and dissolving the opposites no consistent answer was given. The need to increase quantity and to be in the TOP 3 were the two common points found in the answers of the middle-level and upper management. The producing and functional structure would clearly support moving to this direction. The reactions referring the reduction of the product portfolio, orientation towards premium segment and strengthening the distribution of pre-produced products from stock were not consistent anymore. *"We need cheap products to be successful and then we can sell premium ones"*- said the CEO. The sales director (the brother) also confirms *"due to short delivery periods we can sell products form stock"*. On the contrary, the depot manager and (surprisingly) the sales staff do not support selling from stock and they mention the lack of sales strategy: *"we do not have a common sales strategy, the sales employees rely on their presentiments… Now we have the problem of having a great amount of products in stock, but it was not the case last year."* The geographical extension is not a good option for the company, as they cannot handle the recent amount of orders. In contrast, the upper management is planning to enter new markets: *"entering the xy market will be a great challenge (…) X has to form a part of that market after 1,5 years!"* Additionally, they would like introduce a new product group on the European market using their recent sales network. Though, the competition on the new market is severe and the distributors do not want to sell new products, since they

cannot sell the old ones. The executive board was surprised, as the first delivery of the new products arrived to the warehouse.

The lack of common identity leads to serious problems in motivation. The controversial values just make the situation worse: *"we often receive an intern email, that the company is successful because we are flexible."* (Workshop Manager) The impulsivity of the owners, the pressure to explore, burdening the basic organization and expecting effectiveness at the same time lead to serious obstacles. *"The traditional competitors are producing 1-2 times more with the same factory size than our company. We have to reach them within a short period of time!"* (CEO)

4. 1. 4. Organization

The organization, or as Ghoshal and Bartlett [1994] defines, the support is an organizational aspect that ensures a wider access for individuals to the resources while giving them autonomy and supporting initiation. The strategic controversies and impulsivity presented in the previous subsection define basically the functioning of the company and prevent the autonomy of the executive board and the capacity to initiate. *"The CEO comes back from China where he got inspiration… And there is an immediate need for a new investment that comes unexpected. The disadvantage of this hectic rush will be visible somewhere in the company."* (Factory Manager) The organizational problems can be divided into two main groups: the controversies between exploration and efficiency and the controversies in the culture of the company.

4.1.4.1 Cultural Controversies

Honoring stretch and the orientation to trade are still the most significant aspects of the culture, while the competitiveness of the company is based on the domestic operational capacity. The dominant employees also worked for the company as it had a simple structure are still fulfilling important positions. Some of them stayed in the field of product development while others (a great number of employees) are working in the production. *"Those who came earlier to the company are now fulfilling leading positions but not due to their abilities, knowledge and educational attainment. They are just working for the company for a long time and got good positions.They are good professionals but not good leaders."* (Production Director) The different ideologies can be seen firstly in controversies between workers and

later in serious intern sabotages and power games. In the production are working a lot of employees for a long time whose interest is not to create a more regulated, transparent and efficient working environment. They are seen as seniors and due to this "seniority" their opinion is often more significant than the view of their supervisors. For this reason they can easily stop the intern initiatives. *"They would like to have back the old company with its pleasant and safe environment without any pressure but they do not consider the changes on the market."* (Production Director)

4.1.4.2 *Controversies Between Exploring and Efficiency*

In an organization with a functional structure where the interdependence of the single field can be seen as high, it is particularly dangerous that the expectations of the executive board are opposed and the strategy is not even consistent. *"The limits have to be defined previously and some of them have to be flexible!"* (Production management) The non-existing documentation, the impulsive ideas regarding product development and the need for stretch lead to problems that can be find in all departments of the company. The real reasons can be divided into two groups.

1. product development: *"X travels to China and comes home with a great amounts of ideas that are passed to the production development department expecting immediate action as the new products have to be produced for the fairs. (production development department) We afraid and do not know with which new ideas X comes back from China."* (HR manager)

2. dominance of sales: *"Now sales has the leading role, X adheres to it and it forms a competitive advantage for the company. The need of the customer has the primary role and we will meet this need whether the product can be produced efficiently or not."*

As the quotes also show, the production department has a deciding role regarding the production of a product. Although the production process is accelerated by the executive board, it can be physically finished but without any documentation. For this reason, an exact product configuration cannot be created, no accurate norm time can be provided and the procurement and production management cannot work precisely. The needs of the customers often change the production, which lead to further problems in procurement. The problems are solved with overlapping and the logistic department postpones delivery times. The production management can only

asses. Products that are developed within a short period of time cannot be tested. Because of the insufficient or non-existing documentation, the production management cannot prepare for producing a new product, in some cases they only get informed on the processing line. The lists for the depot are also often insufficient and the tools required cannot be prepared adequately. The constant rush to the depot worsens efficiency and influences the system negatively. As the list does not include the tools required for the certain new product, a real picture of warehouse stock cannot be created that makes the work of procurement and storage more difficult. In addition, the value of xy stocks and stock shortage will be increased. Finally, all of the consequences can be seen in the workshop and financial department. In the case of guarantee errors often happens that the workshop cannot provide the accurate tool because they do not know which tool was used by the certain new product. An illustration of the organizational problems is presented by the Figure 4. *"They want serial production as a great amount of financial resources are put to the process. On the contrary, the production is recently oriented to the needs of the customers as in the case of manufacturers."* (Procurement department)

Figure 4: Organizational Dysfunctions in Manufacturer and Trading Company
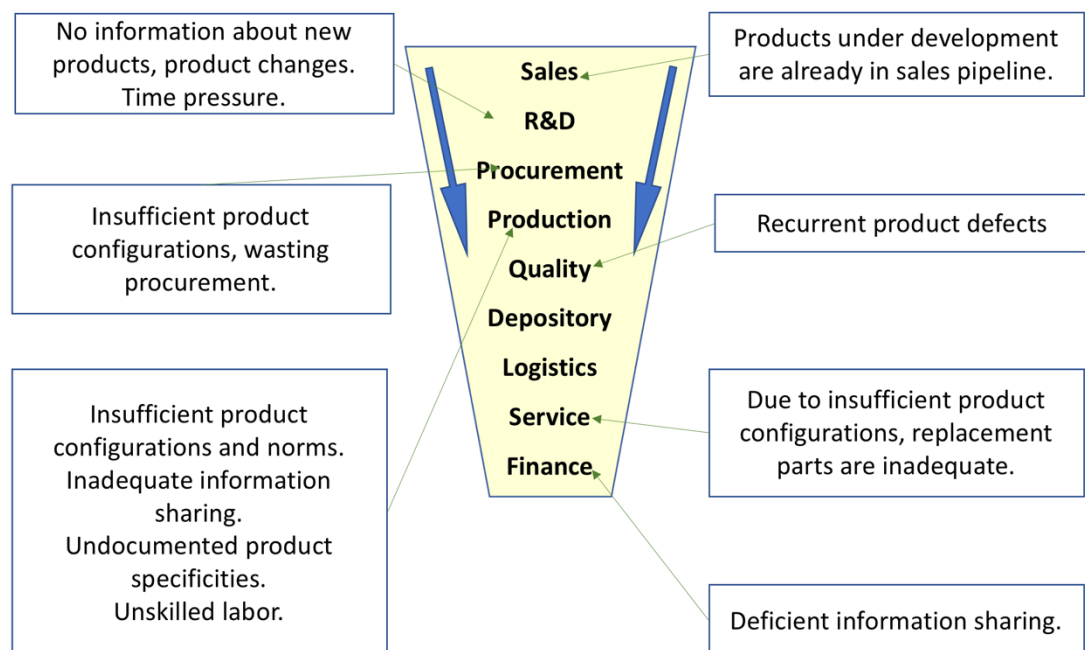
Thanks to the upper management excellent professionals are building the middle management. For this reason, the following paradox can be maintained in the context of the company: the middle management often undertakes more measures relating

development than the upper management. They would like to have order, predictability and stable circumstances while the upper management is of the opinion that the middle management is responsible for eliminating organizational anomalies. They see themselves as the sponsors of changes and not as the subjects. *"It is not a problem that the company would like to grow, but this growth have to be followed on the organization level and it is not possible yet."* (Logistics) While making the interviews was found that even the distributors, who do not experience directly the negative consequences, also see that the current situation have to be changed: *"In the long term, the process has to be regulated. Though the question is: Is it possible to say no to the customers? No, it is not and the customers always would like the ideas to be realized."* (Exports Manager)

The tension cannot only be seen in the worsening of working circumstances and mood but also in the fluctuation of workforce. *"Whether you get used to the condition or you flee. It is the company that generates the fluctuation."* (Factory Manager)

4. 1. 5. Control and Discipline

Clear standards, behavioral and performance expectations are missing from the company. In the production already exists a system of premiums but the recognition of individual performance is rather subjective. As I visited the company, only 2 of the 370 employees did not receive a premium because they were not able to work due to health reasons. Since every employee working in the production receive premium because of the fear of fluctuation the system cannot be defined as efficient. The employees have to adapt to the expectations referring flexibility and efficiency at the same time that leads to unfairness in a lot of fields. The procurement department is often encouraged to store every tool which is due to the insufficient product configuration and ad-hoc production planning only with overstorage possible. Additionally, they will be warned because of the huge amount of old materials in stock. Since there is a lack of norms, work orders and functional standards, a developed performance management system cannot be created. This way the opposites will be deeper between departments which otherwise have to cooperate with each other in order to complete their work. *"If our work would be recognized and honored, we could certainly work with more engagement. The brief which X sent to the management (from the lower to the upper management everyone got it) and*

which compares our factory with the Chinese one did not bring good news for us."
(Factory Manager)

4. 1. 6. Summary

Due to its aggressive exploration and flexibility, the company can be found between the most important actors of its branch. Although this values can lead to the economic devastation of the company as it developed within a short period of time from a product developing and trading company to a manufacturer and trading company and its behavior was not adapted to the changes.

Figure 5: Context and Performance of Manufacturer and Trading company
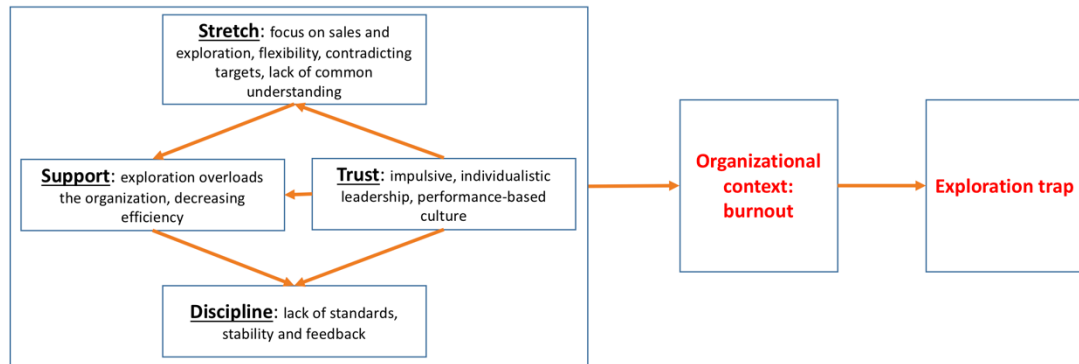
The Figure 5 summarizes the findings of the case study. The impulsive upper management with a strong focus on exploration and the individualist and performance-oriented view that is undoubtedly successful in sales cannot be linked anymore to a company that requires stability and is inflexible by nature. The personal characteristics of the upper management can be also seen in the strategy. The new ideas are constantly coming thus making the efficient production impossible already within the product developing process in the future. The leaders with different interests have no consistent explanation of strategy. The situation is worsened by the lack of appropriate communication and the sudden change of directions. The new ideas regarding development reach first the basic organization that should work effectively. The controversies are handled neither with structural separation (changing to a divisional organizational form, separating exploring activities and customized products into a manufacture) nor with contextual action on task level (differentiated projects, performance scoreboards, balanced scorecards). The conflicts getting constantly deeper make impossible to create a culture of feedback.

Additionally, the individual motivation level also decreases. According to Birkinshaw and Gibson [2004] a burnout context has been created that provides low social support but has high expectations regarding the performance of employees. The balance between exploration and covering cannot be achieved. The company falls clearly into an exploration-trap.

4. 2. Machine Manufacturing Company

4. 2. 1. Short Description and Development of the Company

The machine industry company presented in the following case is one of the most important company of the country. Its main business is producing steel structures for the world's leading machine-manufacturing companies. The organization has nearly 400 employees, and it is one of the largest employers in the region. The company is run as a functional organization and has been constantly evolving following industry standards for more than 20 years. Nowadays, it has supplier relationships with all major multinational machine manufacturers in the world. For them, it has not been profitable to produce these lower added-values steel structures in their home countries, thus due to the quality, the precision and the cultural proximity, this activity was outsourced to Eastern European suppliers in the '90s against Chinese competitors. The company expanded radically in its first period, and today it operates in seven production facilities. The crisis tried the company, but even more its customers, who raised their expectations to a level similar to the automotive industry standards, making the operation more complex in the company. The decline in productivity, the increasing professional demands of the core business, turned the leader's attention towards a new direction: *"We had to work more for less and less money!" (CEO)* Five years ago, financed from EU sources, they began to develop their own small machine that they wanted to sell through their current customers.

In this company, the need for more efficient exploitation of the current markets and products, and the urge to discover a new product are both apparent at the same time, and therefore I think that this company suits my research questions. An interview was made with the following staff: CEO, Sales Manager, Production Manager, Technical Manager, Development Manager, and the Supply Manager. The schematic diagram of the leadership structure is shown in Figure 6.

Figure 6: Simplified Organizational Chart of the Manufacturing Company

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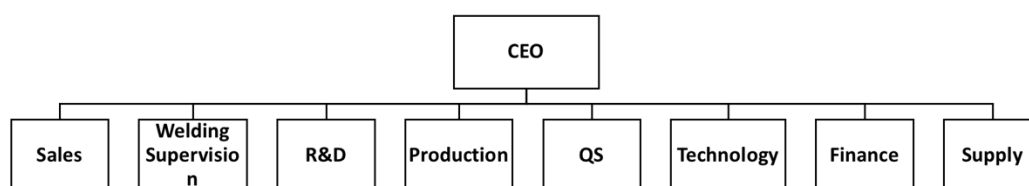
4. 2. 2. Objectives, Common Identity

In order to evaluate the company's strategy, objective and its identity-building role, it is important to understand the changes of the market over the past ten years. The company's core ability at the global level was the cheap but well-trained engineering and craftsmanship knowledge, that was also geographically located relatively close to the developed markets. Some buyers even found it affordable to ship the steel structures overseas.

Three trends have had a strong impact on the life of the company: (1) the collapse of the automotive industry and the construction industry during the crisis, (2) the quantitative expansion, and (3) the opening up of the Eastern European markets. Starting with the former, the crisis has particularly affected the automotive and the construction industries. Due to the collapse of the real estate market, significantly fewer machines were needed and many valuable professionals in the automotive industry became unemployed. Many of them landed in the field of machine manufacturing and were amazed by the low operating standards prevailing in the sector. Manufacturers were open to efficiency development initiatives, so the area quickly approached the extreme operational and quality demands of the automotive industry. This also had an impact on our company: shorter delivery times, lower error margins and more accurate data service were expected from the customers, who were linking payments and supplier ratings to a more and more complex performance rating system.

The company has gone through a huge quantitative expansion. Even though it was operating in a functional organization form, its standards were not always suitable for

handling the increased quantities and complexity. Managing precisely the more and more product variants of the growing number of customers was cumbersome in a low-tech context that was mostly based on personal negotiation. The company's management is full of excellent professionals, but they have clearly outgrown their current operating structure. *"Despite all these problems, we can still get more orders."* (Sales Manager)

The third factor was the opening up of the Bulgarian, Romanian and other labour markets that were even cheaper than the Hungarian market. *"Those who had been our suppliers earlier and assembled simple components are taking over our place today. They are not there yet where we are, but they are cheaper. China has taken the lead for a long time, but it is far away, and steel structures are big and heavy. It is good to be close to your market."* (CEO) Our company's previous strength has continuously melted. Because of its reputation and partnerships, it still remained a favored supplier, but it had to meet increasing expectations, and operational efficiency became more and more important. Not just because of complexity and size, but also because of the average margin cut.

In this context did the management decide to develop their own small machine, financed with European Union sources. The middle management approved the idea with unanimous enthusiasm, because it seemed to be a much more exciting task than further developing the existing 15-20 years old routines and operation, and the hassle of introducing new IT systems. *"We are very proud of our own machine. (...) Yesterday I took it for a ride around the site!"* (Technical leader) From bird's eye view, the reason behind the idea can not be criticized, since advancing in the supply chain and increasing added value is a fundamentally profitable strategy.

Unfortunately, the strategic shortcomings and lack of objectives were hidden by euphoria. There was no agreement on the priorities between improving the exploitation activity and the development of the new product. Because of the task's novelty, the new project was more attractive, and the most important specialists quickly joined the initiative. Among them was the development manager, who had a huge reputation at the company, and would have had lion's share in developing the core business. Expectations regarding tenders and implementation also put an external pressure on the organization, further distorting the identification of strategic priorities. The interesting, innovative, well-funded task made the development team

too comfortable, who ended up not dealing at all, or just very slowly, with the necessary development of the core business. *"They are taking sedative pills two at a time."* (Production Manager) The CEO was convinced that the organization could solve these problems. The development of exploitation and exploration activities were both the basic organization's duty, without new resources and separation.

4. 2. 3. Organization

Looking from the top, the organization's operating process is relatively simple. Sales keep in touch with the customers, they take the orders. This is not an administrative process, it requires serious technical knowledge, because blueprints and specifications are also handed over here. Sales should to give a price quote based on these. They would need accurate technical documentations, norms, creation of Bill of Materials (BOM) and production planning. However, these are not available or only in incomplete form. The rapid growth of buyers and their products was not followed at an organizational level. *"We are overwhelmed already, why do we need to accept even more jobs?"* (Supply Manager) After that comes the production planning, who accurately schedules the production - provided that the aforementioned prerequisites exist. But this is not happening, because the production is delayed due to the incomplete standards, the lack of equipment, and the inaccurate Bill of Materials (BOM). *"There are a lot of ad hoc requests. 40% regular, 60% ad hoc."* (Production Manager) *"We need real production planning!" (CEO) "It all goes wrong at the planning phase."* (Technology Leader) At the end of the process, this leads to customer dissatisfaction and an increased number of errors.

Following production planning, the Supply team would ensure the acquisition of raw materials, which now they can only do with overstocking, to compensate the uncertainty. *"You can't do supply in the old-fashioned way."* (Supply Manager) This is bad for the company's liquidity: *"Undoubtedly, our liquidity situation is not the best."* (Supply Manager) Using the steel sheets, the parts manufacturing plant would prepare the necessary parts, according to the production plan. *"Everything goes wrong at this point, because something is always missing."* (Production Manager) *"One could say that there is no production in the preparation plant, processes are just happening somehow."* (Technical Manager) The warehouse gives these to the assembly halls. *"Everybody can walk in, I am not proud of that. First of all, stock records should be organized, then we could talk about production planning when we*

know what we do have. It does not show any plan, when we get calls after going home, saying that material is needed and so the stocker must come back to open the warehouse, otherwise the production would stop.” (Production Manager)

Parts arriving for assembly may be defective due to inaccurate documentation, or because of incorrect Bill of Materials, the parts are incorrect. *"A workflow is definitely needed - a manufacturing instruction that specifically applies to the product, and tells you how to start the process and what the processes are. This is often missing."* (CEO) The increased number of products was not followed by the development of assembly devices. Therefore, often it takes more time to put the product together than the industry standard would require. Violation of the standards has become unpunished, and what is more, even accepted. Documentation discipline decreases. *"Colleagues in production do not use the checkpoints."* (Production Manager) *"Settlement of jobs is not based on checkpoints anymore."* (Executive) At the end of the process, the paint job often requires additional manual correction.

The solution would be the development of coordination tools. *"Actually, I would bring everything back to that. Technology instruction. If these are present and we have something to stick to, then there is no problem."* (Production Manager) However, those whose main job is this, were busy developing the new product and everyone seemed to be happy about it. But behind the scenes, more tense conversations took place: *"Such a comfortable team! We cannot wait for them, it must be done!"* (Production Manager)

To sum it up, due to external influences and internal growth, the strong interdependence of the functional organization caused serious disturbances in the basic operation. However, the subsequent introduction of coordination tools would not have required completely new knowledge, 'simply' those documentations, equipments and standards needed to be created subsequently that had been missed in the previous years. Although the company's IT support was far from being up-to-date, it would have been enough, and even a barcode system was implemented that was suitable to meet the tracking standards. However, the shortcomings significantly reduced the individual autonomy level, destroyed pro-activity, and significantly reduced the access to resources.

4. 2. 4. Control, Discipline

The organization's main problem is that the industry's almost institutionalized control and coordination tools have loosen. This has ruined discipline and made it impossible to provide consistent feedback, sanctions and motivation. Ad-hoc has become the norm, and violation of the rules have become accepted, all reducing the efficiency of IT tools. The management started to lose control over the daily operation. From time to time they started to introduce norms, drawings and bill of materials, but they never managed to finish them, partly because of the lack of resources.

4. 2. 5. Management, Culture

The company's management consisted of a stable team of recognized professionals. The culture was dominated by power and seniority based on professional knowledge. The management's expertise was top-notch, but I cannot say the same of my interviewees' leadership competencies. A leadership toolkit based on personal leadership, charisma, and direct orders is not enough to lead a company of such size and complexity. Consequently, the development of the basic activity would have required changes beyond their abilities. The interesting thing about this case study - unlike the previous one - is that the idea of the new project did not meet any opposition, it was rather very attractive for everyone. This complicated an already difficult situation even further, and also reduced the appeal of the tasks ahead of them, since a very attractive and popular task has become the company's main strategic objective. According to the interviewees, it happened only after a long time that the underlying tensions burst to the surface and they declared the need to deal with the development of the current activities.

4. 2. 6. Summary, Outcome

A successful company in its own territory, with an impressive and outstanding growth both by national and international standards, but its external market conditions have become much more strict, and customer expectations have increased. For all these reasons the company's productivity have decreased. They seemed to have made the right decision by developing a new product. However, their core business was far from being dead in the strategic portfolio. The company has outgrown its organizational context and serious cracks have emerged in the system.

The management may have been able to overcome these issues but their attention was partially given to the development of the new product and with the rest of their strength, they were working on fixing operations. In this case, we can clearly see the battle of exploration and exploitation for the same resources; this is the paradoxical essence. The one difference is that while 'typically' the executing organization is more likely to engage in the exploitative activities and steps on the dangerous path of addiction, the company presented here has become significantly more attracted to the new project than the development of its core business.

Figure 7: Context and Performance of a Manufacturing Company
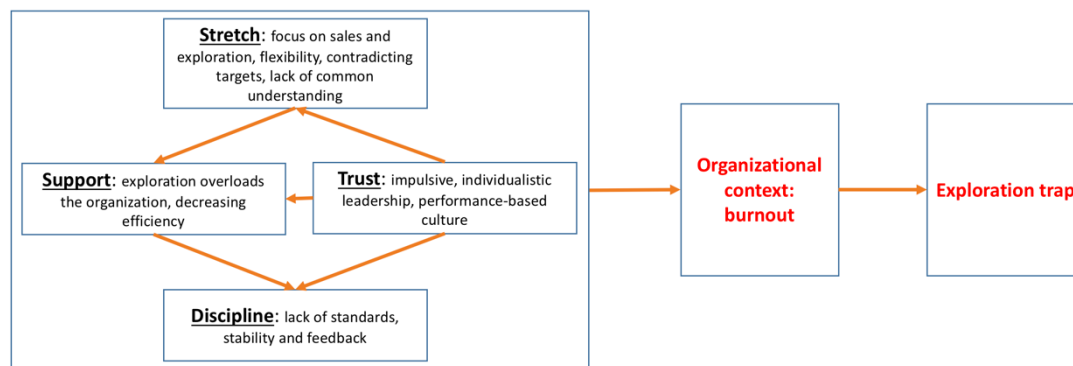
Figure 7 shows the relationships. The root of the problems are the incorrectly defined strategic priorities and the decision to put the base organization in charge of both the exploitative tasks and the development of the exploratory activities. Common resources are lost. Just like the most valuable developer team, that - together with the technical department with whom they had a good personal relationship - could have systematically created the missing coordination tools. According to Birkinshaw and Gibson [2004], a low-performance organizational context was forming. The situation will not let the ambidexterity to evolve.

The end of the story is bittersweet. The new machine was developed but since their fundamental capabilities were linked to more primitive activities, the prototype had many defects, too. They have not marketed the product so far, because the focus has been shifted to the development of the current activities and the operating framework. By involving their customers' professionals into the process development, they started to introduce IT tools, declaring the importance of making the exploitation more effective. This is a positive turn of events.

4. 3. Agricultural Company

4. 3. 1. Short Description and Development of the Company

The company to presented in the next case operates in a special segment of agriculture. During the transition following the end of the communist regime, a talented, a beginner state-farm agronomist noticed a promising market niche. Sowing seeds is a valued subdivision of agriculture, but even within that, there are special niche products that are not economical to deal with for large breeding houses and farms. There are a lot of players, and competition is extremely high in the business of the production of conventional mass plant seeds, such as corn, ear and sunflower, but far less players compete in the market of specialized fertilizers and oil crops. Although competition is lower, but the size of the market is smaller, too, and requires much deeper expertise. The company started its activity right after the change of regime, but it has grown very slowly until the 2000s. A small, cohesive team built on strong leadership was experimenting a lot in this period, but the breakthrough came after the turn of the millennium. Although the pre-transition position of the Hungarian agriculture has weakened a lot, expertise still remained valuable on an international level. Western breeding houses had a great opportunity to have special seed material of plant species produced and cleaned that were below their economy of scale made by Hungarian suppliers who were in accordance with extremely strict legal and professional standards. Low prices, superb expertise and great geographical features were the main strengths. They only provided the skills and control, the production of the base material was done by small producers. The cleaning and conditioning of the base material was done in their own factory, which is a highly complex process. The company has gone through a radical development, exports soon outperformed domestic sales, often with 30-40% margin producing ability. Success, however, did not come by itself. The leader had put tremendous energy to become a known and trusted player in the European-wide system of agricultural relations. As a result, a strategic alliance was established with a reputed German breeding house.

The leader put the profit back, continuously developed the company. They created their own breeds, and launched an independent research and development unit that has become one of the country's most important influencing professional workshops in its field. It has continuously developed its plant and production technology, and

established university collaborations in both agricultural and technical fields. An illustrative example of this is their own radio wave-based warehouse management system, integrated into the company management system, showing an accurate status of the multiple thousands of tonnes of inventory, with its quality and other parameters. In recent years, developments have accelerated even compared to the normal rate. By acquiring producing companies and co-operatives, they gained their own production capacity, introducing unknown technologies in our region, imported from overseas. They started growing new plants, and created a professional organization to support plant species of the future. Within a short period of time, they have become a market leader in a new segment that demonstrated their responsiveness and speed.

On the organizational side, the organization had even more radical changes. From a quasi-simple organizational form, it became a state-of-the-art group with professional management, advanced IT support and a BSC-based control system, which in five years was capable of integrating two subsidiaries and putting their operation on new bases. Last but not least, the organisation survived the departure of many founding members, but the key to this was undoubtedly the radical development of the organizational context.

Since 2010 the company has doubled its sales revenue and managed to maintain all its export partners. In the meantime, the company redesigned its internal operations framework, acquired two companies and introduced new activities into its portfolio; it has developed new products, started retailing, in which it has achieved market leadership in some segments, and introduced unique technology processes. Based on the above-mentioned characteristics, I believe this organization is suitable for the examination of the elements and the formation process of promoting or hindering the ambidexterity organizational contexts.

The company operates primarily in the form of functional organization. Interviews took place with the following staff members: CEO, Executive Manager, Business Manager, IT Manager, Production Manager, Sales Co-ordinator and Plant Manager.

4. 3. 2. Objectives, Common Indentity and Organization

The two aspects of the context - objectives and organization - are discussed together because strategic issues, unity and the forming of shared identity are all strongly related to organizational and structural interventions.

4.3.2.1 The Early Period

During its first 10-15 years, the company was a simple organization led by a charismatic leader. Although a low level of specialization appeared but the member could easily substitute each other and one person could fill many different roles. *"We were bushfighters. We were one guerilla unit."* (CEO) The team as very cohesive, they made all the plans come true together. According to them, they were all similar personalities, enthusiastic entrepreneurs. The founding leader was technical-minded, and he started to build the factory with his own hands. "*This is our main strength. This cannot be copied by anybody else. Over long years, we have developed the procedures and polished the machines to go together.*" (CEO) To manage the producers and the domestic sales a highly independent, real born salesman was employed, who quickly became the symbol of the company. However, international relations were always handled by the CEO.

As the organization grew, so did the burden on the management. The CEO handed down the operations management first but he also grew away from the everyday business. This required having greater confidence and autonomy, but also the other companions should have cooperated with stronger compliance and greater control. This is where the problems started. The more regulated and disciplined operation was not at all sympathetic towards the individualist founding members, whose behaviour was explicitly rewarded by the previous organizational context.

4.3.2.2 The Big Change

The first cracks appeared during the 2000s. The CEO got more and more isolated. First he was faced with only passive resistance, which later on grew into a more open one. The relationship turned sour with his most important founder fighter associate when he outlined his strategic vision: ha wanted to become an innovator in his own segment both on a domestic and an international level, while in his immediate environment, he wanted to build one of the most determining producing-integrating

companies of the region by purchasing its own production capacities. This vision consisted of many steps.

They have acquired outdated standard production units with significant size by buying two previous production co-operatives. They started radical technological development both in cultivation and storage areas (the storage of seeds requires special conditions, otherwise the waste rate could rise significantly). They began to experiment with the cultivation of new, high-value plant species, which brought a huge return in the coming years. *"With only the 2-year result of X, the whole silo investment showed a return. Was it worth it? The market may not be so good now but it was definitely worth it because the silos are ours now!"* (CEO) The utilization of the often hundreds of millions of HUF worth of machines could be increased by renting services and land lease payments. Due to the fact that they produced higher value-added products than the average, and they also had the markets for this, it was worth to lease their lands to nearby producers who were below the economies of scale, because even after the excess profit was divided, they had a bigger return this way rather than having to farm the land themselves. The modern machines were more effective and more precise than the ones used by small farmers. Although deep cooperation was not formed, through the renting services they could reach excellent results and their capacities were utilized by the machines this way.

Regarding innovation, they aimed towards a significantly higher degree through support from research and development activities with the help of tenders and other resources. Their breeding results helped them gain significant financial success and market protection later. They became domestic experts of a strategically important plant species; they have built a serious professional community; they also carried out numerous experiments which have contributed to the development of cultivation technology.

What seemed to be a success story from the outside, was an ever-growing source of tension from the inside. The CEO was more and more dissatisfied with his old co-fighter and so he decided to bring along a new Sales Manager from a multinational company, which meant that his founding companion - who did not have ownership - was 'relegated' to the field of the new production subsidiaries. *"We had serious fights. He had gained his reputation through sales and the partners. He hindered my job in every field, he fiddled with my own markets even though he got to keep his*

most important partners!" (Sales Manager) The organization has outgrown its operational framework and the CEO grew more and more isolated. He felt that only those problems got solved that he handled himself. He was constantly working on developing the company, looking for new opportunities and tenders but he was on his own. *"At the end of the year, at our usual Christmas time I was telling the colleagues all about the new developments but everybody was just sitting with their heads down. During meetings, everybody was just saying why we were not going to succeed in anything."* (CEO) Coalitions have evolved, and the newly introduced IT leader became the target: *"Anything I did, was wrong. If I asked what they needed, they did not say anything. If I started to work on my own and it worked perfectly fine, they did not comment on that either. As soon as they found an error, they told all about it to the whole company."* (IT Leader)

Strategy and organization were no longer coherent, however, the CEO was absolutely sure that his strategy was good. He realized that this context could not take any more development, innovation or invention. The quasi-simple organization and the currently available management tools were not suitable for this. The first step was to introduce a unified corporate governance system. *"We embarked upon introducing a standard system without first settling the processes and the jobs. We wasted a lot of time doing this."* (IT Leader) Five years ago, the whole organization and job descriptions were thoroughly revised, at the end of which the job descriptions were re-written, a new organizational structure was formed, and numerous IT developments were envisaged.

The conflicts continuously deepened. Coalitions of contrary interest were formed around the CEO and his old comrade. The CEO, the new IT Leader and the Sales Manager and their old ally, the Plant Manager were up against the Economic Leader, the co-founder and the Assistant. In an elevated moment, the co-founder resigned and the rest of them followed him like an avalanche. *"I almost burst into tears but I could not. I knew there was no way back. Looking back, I cannot imagine how much we would have lost if they stayed with us."* (CEO) With the departure of the antipodes suddenly everything became more transparent. *"It was very frightening but finally the loan agreements were found and many more 'secret' documents. As an amateur accountant, I booked six months backwards. A lot of things got into the light…"* (IT Leader) During half a year's time, they built a BSC-based control

system with a strong IT support. The strategy was turned into actions and projects, which got into the motivation system as well. An annual frame planning was evolved which was strengthened with a serious IT background. *"I had a very difficult time during the first planning. It was a very hard long week that time in the office. But I learnt that one cannot manage a company higgledy-piggledy."* (CEO)

4.3.2.3 The New Period

This ex lex status did not last long. The more and more stabilized circumstances and the promising strategy convinced a trained and professionally acknowledged Manager to take on the role of Operations Manager in the company. *"Before I started, X had sent me the organizational operations rules, job descriptions and other documents. These helped a lot to make my decision and later on in the integration as well."* (Operations Manager) He quickly lured an old friend of his to the position of Economics Manager, so the Economics Department also found a new, well-trained leader. A unified team emerged, which led the company with advanced management tools. The newly formed system was precise, it was based on developed strategy, with a disciplined business plan on an operational level, and it was measuring and rewarding in BSC-dimensions system. This system shortly expanded in the whole company group; and after the consolidation, all of the companies planning, measuring and the applied motivational systems became integrated. *"Our subsidiaries are basically our suppliers. We get a controlled quality raw material from them, and we can also save the margin that we would otherwise pay to the producers. On the other hand, this is a standard, cost-sensitive but measurable job. Total transparency has now become even more essential."* (Economics Manager) The company leadership now had the following specifics: a conflict-resolving leader, strategic direction and its precise control, the operations control was handed over and there was a good balance between exploration and utilization.

4. 3. 3. Control

Conflicts remained but these were different types of conflicts than before. Development projects, especially their tenderization and documentation background were taken over by the Operations Manager. *"A lot of things have piled up…"* (Operations Manager) However, exploration activities were not dedicated to anybody special. Projects defined at annual planning and after the strategy was put together, or

tasks targeted to patch identified weaknesses were assigned to the leaders' scorecards, and they received motivation for these separately. Numerous memorable cases were told by interviewees. The first one is the story of the production technologies. The acquired manufacturing companies used to practise traditional agricultural mass production where the correct agronomical attitude was the adequate technology: they used only the amount of plant protection, fertilizer and machinery that increased yields and quality. The target system, however, was changed fundamentally, when after the acquisitions, they started to grow plants of completely different value. The target was now the total yields, quality and cleanliness - practically at any cost. *"During the first year, the agronomists had the task of developing the 'maximum ultimate technology', as it was called by X all the time (and they also received their bonuses for this). No other indicators mattered. The next year the crop results came in as indicators. But the only key to the bonuses was whether they followed the technology 100% or not."* (Production Manager) The above is a good example for the knowledge flow from learning-developing exploration activities towards exploiting, which is the most important aspect of ambidexterity.

One of the biggest steps of recent times was the aggressive challenge of a market gap that became open following legal regulations. They became market leaders during 1-2 years' time in domestic markets. This was owed to the tight cooperation between the Operations Manager, the Sales Manager and the Plant Manager, but the situation is not at all free from conflicts. However, these kinds of tensions were not like the old oppositions at all; these can rather be interpreted as disagreements on an individual level between exploration and exploitation. The project started with the work of the Operations Manager, who coordinated market research and marketing activities. The Sales Manager, however, had to deal with a lot of market building tasks that wasted his time from the sales of concrete, short-term and actual products - from where a significant part of his bonus derived. *"We had to motivate him a lot. Looking back from two years' time, it is now clear that we would not be here if it was not for the buyers' meetings and others."* (Operations Manager) For the production of the products, a precise forecast had to be given to the plant manager, which again meant a lot of work for the Sales team, who wanted to have a huge quantity produced beforehand for them to be able to sell later on. Nevertheless, this was not affordable

either from a professional or from an economical point of view. *"The plant is fully scheduled for the whole year in advance. I need to know what exactly is needed four weeks ahead. These machines cannot be adjusted every day only because an order came into the climatized office."* (Plant Manager) Again, a clear collision between the short-term and long-term interests of trade can be observed. The solution lies in the tight control over the tasks, BSC learning-developing (market research and market building tasks) and process dimensions and the expectations stabilized in these, as well as continuous control and reward. Progression was checked at a weekly basis; conflicts were handled; and a mutual meaning and understanding was given to such tasks that were due and seemingly in the red short-term. All of this was embraced by a very strong leadership presence, a common framework of interpretation and strategic platform, which legitimised these tasks, complete with material reward and other penalties, it guided the individuals towards a mutual direction despite the differing short-term interests. The tensions disappeared by the end of the second successful year. The production group made a hit and they produced a seriously good result - the exploration activity has ripened and it stepped to the level of routine of exploitations. From this point onwards, sales could hardly be restrained, they wanted to continuously launch new product variants on the market all the time.

The third case is related to the plant. The sales team was in contact with the outside production partners. They provided agronomic professional knowledge to them, but they also were in charge to check if the production set in the contract was met or not. Their job was indispensable for the plant. If the plant knew what they could expect from a given producer, they could schedule the deliveries from the suppliers and the first-round cleaning tasks much better. Of course, on the first request, the sales team did not perform the review and the inspection tasks. The Sales Manager could argue for a long time about the pointlessness of the taks. When the IT Manager supplemented the ERP system with a GPS-based documentation system, everything changed at once. *"When X, the oldest Regional Representative, showed us at a sales meeting the inspection photos made with his iPad at site...we were silent for a long time then, but there was no question about the feasibility of the given tasks."* (IT Manager) It was suddenly easy to check whether the colleagues were actually present at site because they had to make a photo using their iPads then they had to fill out a

simple form to write down the detected problems. The plant was able to improve the reception of raw materials in just one year's time, as they knew which were the problematic items that had to be separated. *"If you know that an item of wild oats was arriving [quarantine weed appearing, meaning that the seed cannot be sold], then you do not have to wait for a laboratory investigation, and it could not happen that you scatter it into the clean heap and contaminate it."* (Plant Manager)

4. 3. 4. Management, Culture

The previous role of the leader shifted away from the one-man hero towards a real managerial position. The key is this is admittedly the acquiring of the developed managerial skills and the building of the adequate management systems, that is the development of the organizational context. In two-three years' time, he could step away from operational implementation tasks, but this did not mean total departure from the organization. His main functions were: company management system (I do not mean the IT system but the corporate governance system), scheduling important meetings, and the continuous communication of the strategy within the company. The integrated subsidiaries have also merged into the company within one-two years' time both organically and culturally. The new leadership put a great emphasis on welfare initiatives, community awareness, proudness but this was not selfish: *"Our tractor driver had to wear a white T-shirt - and not because he was special, but because we have to show to our clients and to everybody in our environment that we perform above the average. It is worth to cooperate with us in the long run, because they will get more. We are not cheap, but they will get more!"* (CEO) The issues remaining at his level were organizational design, cultural, strategic and innovation themes. His main task was to create, support and control common understanding.

4. 3. 5. Summary

A self-built company, with outstanding local and international reputation in its own niche, it has radically expanded its product portfolio in 10-15 years. The company has multiplied its size, acquired other companies, and started new activities. It has produced its own research and development results, and been able to exploit these results commercially. During this time, it has gone through a crisis of growth, and nowadays its operation is based on advanced IT and management standards. The company is not exceptionally large, it is classified as a medium-sized company by

the official rating, but its production capacity is exceptional. Because of the niche market, the uniqueness and the good strategy, even agricultural companies with a traditional profile and with annual income of 50-100 billion Hungarian Forints are not always able to achieve similar financial results. Behind the success lies a lot of work. From a management point of view, the key was the conscious development of the organizational context. One of the most important points of this is the personal development of the Manager - he pointed it out himself. The context development was only possible through this. If he does not accept and does not understand the changes he had to take his company through, he would have failed. He created stable organizational conditions, and this way he made the organization attractive to trained executives. He redefined his position, becoming a leader by taking control over strategic decisions. He resolved the conflict between exploration and exploitation through the governance system, plans, task-level supervisions, motivation systems, culture, common understanding and personal confession.

The micro-tensions between the two ability slowly wore him, too. He said that he was just a man, who wanted to go into his company feeling good. He does not want to pursue theoretical debates about taking photos and the importance of organizing customer meetings. Recently he made more and more structural interventions. The conflict between trade and R&D was solved by geographically relocating the R&D group. Under the Sales Manager he hired a young, agile professional, to whom his leader could 'outsource' the unpleasant tasks. He felt that after a while the control tools' efficiency was not satisfactory anymore. He started to believe that he could relieve the tensions - if not by creating separate organizational units, but - with less mixed positions and larger organizational distances.

In his report it is clearly noticeable that being ambidextrous is not nearly stable, and not the best stage of life - a phenomenon also discussed in literature. The contextual approach can cause tension at the level of the individual and between individuals. Only remotely, but the case rhymes the results of Kauppila [2010]: In the life of companies, the ambidexterity is not a high or even the highest degree of organization, but a complex and inevitable (or necessarily chosen) life situation, in which they can switch between different approaches, such as temporal, structural separation or contextual solution. The company shows a slow shift in the structural direction. The results are summarized in Figure 8.

Figure 8: Agricultural Company's Context and Performance
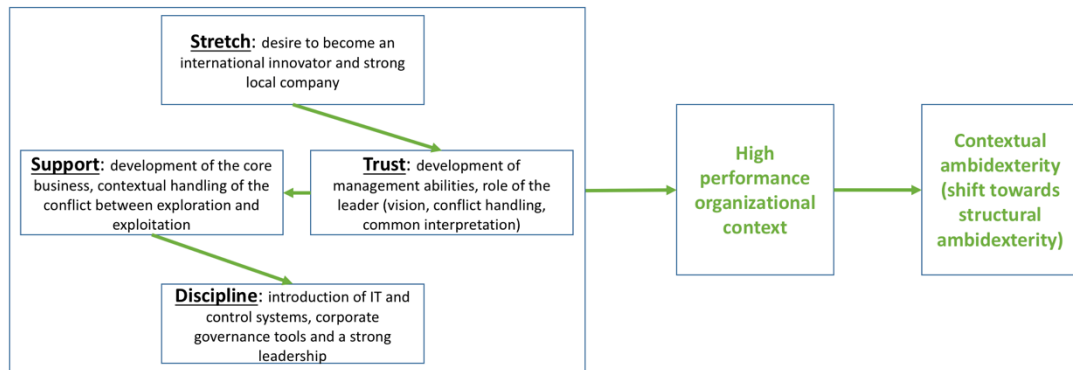
4. 4. Logistics Company

The next case is about a logistics company operating in a developed industrial region. The sector is not particularly innovative, in fact, much of the activity is almost unusually standard. However, our company does not provide an average service: it handles its industrial partners' transportation, logistics and some internal production preparation tasks, too. This is not simple outsourcing and transactions, because of the collaboration, deep organisational and IT integration are needed, and also lots of learning. The scheme comes with a lot of cost and limitations, in exchange for protection, certainty and significantly higher margins on a standard and cost-sensitive market.

The company has always dealt with areas of transport and logistics but the company started to really grow when the man - the current CEO - with serious industrial experience came home. He brought with him many clients and a new vision, from which new services, investments and business success followed. As it can be observed in a significant percentage of companies in Hungary - and also in the above mentioned previous cases -, that the organization has outgrown its frames. It was essential to improve jobs, processes and proceedings along with a strong IT background, while new opportunities were emerging constantly on the market. The leader has taken decisions that were different from traditional ones. For the future clients, new organizations will be made, fearing that the original organization would not be able to cope with the needs of new and coming clients, and that the members of a cost-dictating company focused on effectiveness could not deal with the current clients' exploitive activities and the research for new clients at the same time. In the

life of this company, learning about exploration and exploitation and the transfer of knowledge between these two fields are present, and because of this, I find that this company is suitable for answering my research questions.

The company is currently run in a functional organizational form. Interviews were made with the CEO, the Logistics Manager, the Operations Manager, the Freight Manager and the Chief Financial Officer.

4. 4. 1. Objectives, Strategy

Due to the fact that the company has specialized in integrating with its customers and satisfying all their needs, according to the congruous opinion of the interviewees, it functions with a distinctive strategy. The company was growing along with its customers, while trying to meet requirements to all their diverse needs. In order to do this, the small, flexible and simple organizational context based on a strong personal leadership was perfectly matched. Profits, however, have recently started to decline, even though the price income was continuously growing during the history of the company. *"I feel like we have stopped."* (CEO) The organization has reached a great size, it has worked on several sites, and it has heavily invested in equipment. It has also developed its logistics centre, and it has been trying to stabilize its operation with IT systems that meet the industry requirements. The causes originated from the current organizational framework. The staff have become overburdened, yet new members are not allowed. *"I do not understand this either. Why do not they let in more employees besides themselves? These problems could be avoided."* (CEO)

The focus of the company's most recent period was the standardization and the development of the organizational operations. It was finally admitted that the simple organization that served the small-sized business well was no longer adequate. *"The goal is to build a company with transparent performance and that has a smaller leadership participation."* (CEO)

In the next subchapter, I will detail the initiatives for developing the organization.

From the strategic point of view, several interesting points emerged during the interviews, and these dramatically shaded the overall picture. Prices have decreased on this marked even in this profile, so the economies of scale have become of importance for the company as well. Therefore, growth was not only the result of success but also a continuous goal. The earlier, clearly flexible, distinctive viewpoint

was replaced by efficiency focus, which inevitably led to a shrinking in the current way of dealing with individual customer needs and differing customers. The same logistics unit and machine were less and less capable of serving the similar needs of many different partners. *"For one, it just needed disassembling. For another one, the machine needed to be disassembled, cleaned and assembled. For one, x amount of time would be sufficient, for the other one, it was not enough. It was very hard."* (Logistics Manager) Following from this, it was necessary to reconsider the relationship between the strategy of the company and its organization. "Many opportunities will come into the market because only the big ones can survive. It started after the crisis but the trend will accelerate." (CEO) The CEO had already stated that he could not let new ideas and buyers to the parent organization before its development was completed. *"If we get into a new, big buyer, everything has to be founded again. The current team has no capacity to deal with this because they are beset by their present clients."* (CEO) During the time of the interviews, they were in the middle of competing for a big partner tender. They would have had to do activities similar to previous ones but also completely different ones, too. Of course, also implementing IT integration that is considered 'normal' in their service. Even before this tender, they had agreed that a separate organization needs to be built for this, and only later (*"When all is set!"* -Operative Manager) would they search for synergies between the companies. Based on their objectives, resource allocation dilemmas between the individual units would only appear at the top management level - this is where the 'threads would meet'.

4. 4. 2. Organization

Over the past few years, the growth of the company has exposed many organizational deficiencies. Compared to his previous industry experience and work schedules seen in other fields of interests, the owner-manager could sense that the business was lagging behind. *"I come into my other company and it is as if I stepped into a whole other world. But I can see the site from the window!"* (CEO) However, it is important to emphasize that this is just the perception of a given situation. The former context had worked perfectly at a smaller size, and the less 'prussian' operation that was different from the industry standards was promoted by the distinctive strategy and the 'convenience' of the high yielding ability. The growth in size and the decreasing prices were not even counterbalanced by the post-crisis relief.

It was difficult to implement the increasingly perceptible efficiency pressure in a company that had to deal with a small number of customers that had a very large number of individual needs. The CEO started with a change in staff, however, this did not lead to success. *"My current staff was not able to make the changes, they had enough of their own."* (CEO) In the logistics area, it was felt that the workforce was not skilled enough and so was unable to solve the task. The administration became more and more inaccurate, and the differences between the real processes and the IT system became increasingly visible, which alongside smaller movements, were bridged by colleagues taking notes of the deficiencies in their notebooks, excel tables and good memories. Work was being slowed down, performance indicators were decreasing and the number of inaccuracies was on the rise. It was a straight road to customer complaints, delays, and not meeting the contractual conditions. The capacity planning was not working, problem solving became the norm. *"You come to work to fight the fire, all day long, it it just race against the clock. Am I supposed to do the developments this way?"* (Logistics Manager) Stress was ever increasing in the company.

The team in transport organization was also having problems - so much that its functioning frames were being tested. The staff was complaining about being overloaded, however, they did not assign the jobs to the new staff. Because of the profile of the company, the extreme cost-effectiveness and exploitation that was normally characteristic of the sector was not so pronounced, compared to the competitors, and this is why the lack in drivers counts as a minor problem today as well. Due to the rise in size, fleet utilization and resource management became increasingly important. It became apparent that the freight administration was post-factum and inaccurate. That is why they had a lot of time lost and a big waste. *"It came to light that even the bulbs were replaced by an official service point!"* (Freight Manager) During the inaccurate and late administration, several tasks were carried out manually that could have been solved by a software. *"We were dealing with the road tolls manually, though there was a software solution to that. The report could be done several days ahead and you do not have to work with it any more."* (Chief Financial Officer) The information got released too late, and when a problem emerged, the waste could not be explained from days or weeks before. Due to the lack of regulation, in a non-standard situation even the minor operative problems

reached the highest management levels, however nobody took responsibility for these, so in the end, all was laid upon the CEO, while the time was wasted on endless debates between many actors.

This situation forced the management to make two important decisions. The first one was to develop the organization. They started to look into and to define the jobs, responsibilities and powers. *"The process should be created so that it can be managed even by the most underskilled staff."* (Freight Manager) One of the results of the process was the creation of an operational leadership position. During the time of the interviews, this new member of the company was still getting acquainted with the new surroundings, but his first task was to continue the job that was already started: creation of processes and regulations, standardization, and development of the IT systems alongside the organizational and operational processes. Currently, individual developments that are beyond the standard are being outlined in the currently used IT system, and two additional new systems are being introduced. The aim is to create such an organizational configuration that can significantly accelerate the creation of 'clone organizations' for new acquisitions and/or new tenders, and in which only the first stage of development requires the professional knowledge of the base team, and the operation from then is solved by the new organization.

4. 4. 3. Control

A more accurate and faster reporting system has been created for the company, one that was also supported by a strong IT system, and that was based on a documentation system automated at several points. All of this makes the jobs and responsibilities of the staff more clear and transparent. Based on the above mentioned, a BSC-based control and motivation system will be implemented. As individual logistic services can already be seen as simple production, planning, standards, and administrative accuracy are key, but the measurement system has to be process-focused as opposed to result-focused. The goal of the organization is to avail the management less with operative work, but only the executives who have real expertise and the necessary problem-solving skills could take part in the innovate work, which will be organised into separate units. *"Staff should do their job."* (CEO) *"We expect a PhD from a forklift driver. This is not normal."* (Logistics Manager)

4. 4. 4. Summary

A company with a unique service, with an unusually distinctive strategy in the sector, is less cost-sensitive and controlled compared to the industry standards. The market, the profile and the size tolerate this. The growth, the decrease of the general productivity, and the more and more complex demand system of more and more customers, encourages the leader to develop the organizational context, who - unlike in previous cases - makes an unusual decision. He immediately wants to separate the company's current market and exploration opportunities into a new organizational unit. And plans that the relationship between the silos would only appear at the top management level. They alone can make decisions over the flow of professionals and the financial resources between units. The conclusions of the case are summarized in Figure 9.

Figure 9: Context and Performance of a Logistic Company
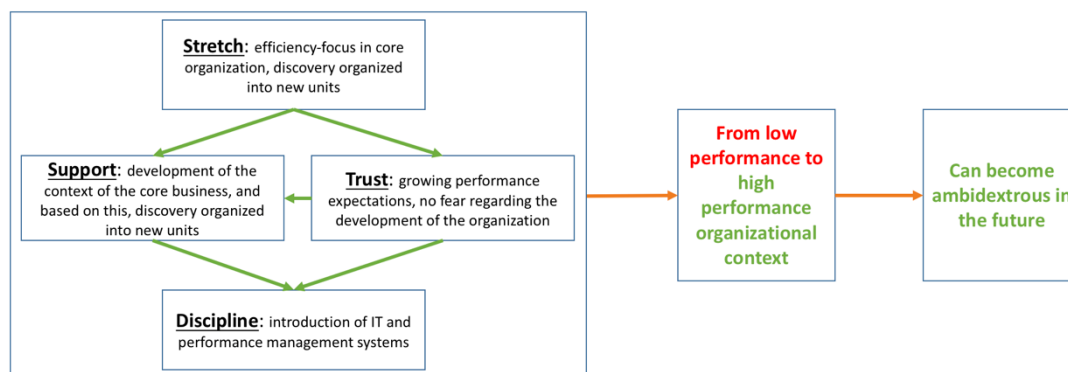
4. 5. It Company

A circle of close friends of Software Engineers provides services in the '90s. 20 years later they control a dominant company of areas, which, in addition to the core product, began to develop an unusually new software. The circle of friends, surviving many storms, still runs the company as a unified team. Over the years, the IT engineers have become qualified managers and strategic leaders. Partly this is why they could shift from their initial service focus, and have developed one of the most successful boxed products of their market; and years before the exhaustion of the basic product, they started working on a new solution, based on their own experiences and experiences from business conferences. The strategic thinking and

organization building have always been their focal points, although in their history, the structure and processes often were left behind the strategy. But they have caught up. Although the development has not been perfectly smooth, today, they are thinking ahead. Structural changes are planned ahead for years, so that new, big projects can be implemented without problems and firefighting. Development and growth do not ruin the organization and opportunities.

An interview was made with the CEO, the Operational Director and the Head of Product Development. In addition, I have participated in a number of discussions about process development and organizational development, and also participated in the fine tuning of the reward system and strategic thinking about the new product. In addition, there were several informal conversations with the Operational Director.

4. 5. 1. Strategy and Organization

Strategy and organization are difficult to separate in the case of the IT company, which is also confirmed by the CEO's own personal view: *"We have always built organizations, we have been always thinking in structures."* Interestingly, the usual high level of attraction for the company's core product is not noticeable: *"The structure is needed for earning money. We were on it, but we could have done something else."* (Operative Director) Freshly-graduated university students began to develop web-based services in the nineties. Somehow life led them around their dominant product, this is when they started to develop a targeted, boxed product. The CEO can determine three key moments from the organization's life. The first is a clear shift from service providing to product development. Second is the very aggressive market expansion, with the help of online tools, which were considered extraordinary back then. This phase was followed by a relatively stable stage of life, with strong growth. The third turning point was the the structural separation, following the development of the new product, and bringing it to the market.

Before the first point, the engineers provided a service based on hourly rates. However, they saw that this was a very vulnerable position. They met countless problems during their development jobs, until during a brainstorming they realized that no one was able to provide adequate solutions to certain documentation processes in public (and partly economic) organizations. This was the first major turning point. Based on their experience with some of their customers, they started to

develop an integrated, boxed product. By making a lot of mistakes, they have continuously patched their operation, processes and methodology. Organizational building, even if they operated in a small, simple form, became the basic principle for the leadership: *"Structural building is my personal goal!"* (CEO) Looking back on this 15-20 year learning process, there were countless mistakes in it. But despite the fact that the management needed to build a mid-sized company with 'only' half a billion Hungarian Forints revenue, they had to deliver products and services that met international standards, because of their customers and their global competitors. These external impulses were determinative. *"We are a small multinational company, or at least we want to be one. Look, we're sitting here, there are only global companies in this office building. But we are competing for their customers!"* (Development Manager)

Boxing the product was followed by an aggressive market expansion. New members joined the team, who have deeply integrated, and acquired stakes in the company. They spent about 2-3 times more on marketing than the average, which was unusual for the entire sector. Results have shown. After 8 years of hard work, they became the market leader in the field, with the largest share in the public sector, and also with outstanding sales volume in the competitive sector. Many internal problems occurred in the growing organization: communication difficulties, overload, burning out. The symptoms have never closed but encouraged the management. They paid great attention to the development of processes, to the IT support of workflows and control, and were not afraid of shifting the organization to a different direction by modifying the reward and target system. They could not even recall how many smaller and larger changes were made in the last 6-8 years. The management guessed about two interventions per year.

The next big change was inspired by standard communication (e.g. email) and management systems. Enforcing processes and sharing information on the same platform was impossible. Thus, it was difficult to control the execution of the tasks, largely by personal presence. By attending business conferences,the management noticed that other companies are in the same boat. Although their core product did not reach its peak at this point yet, they were already concerned about what would happen *"if we run out of market"* (Operational Director) Driven by internal and

external influences, they began to develop a new software that handles organizational processes, operational tasks and communication on a unified interface.

The idea was followed by huge enthusiasm on the developer site. But sales people were less positive because the core product had a mature, exact market, where achieving quick successes was possible with the matured value proposition. The next 3 years were about development and first sales attempts. After the first consumer tests, it became obvious that only a dedicated vendor could sell the product, because the commissions kept everyone dealing with the core product, not the new one. This way they gained capacity and attention, but also caused new cracks in the business. Since selling the new software was difficult, its revenue was low, but its costs were much higher due to the development needs. Because of this those working with the old product felt that they were supporting the new ones. The conflicts escalated to extreme levels even at managerial level, therefore the CEO decided to separate the new and the old business from one another in a structured way. *"I did not want to lose X and Z. There was so much tension between them because of sales, that two separate sales had to be created, otherwise valuable people would go away."* (CEO) The two companies were organised separately legally, which has greatly improved morale and the transparency of the performance of the new product. This transparency has triggered a cleansing process. Waste has become much more apparent, which led to the loss of more staff, but the arrival and integration of the newcomers gave a huge impetus to the whole team. This structural separation and network model are the third and most recent strategic and organizational turning point in the life of the company. Nowadays, they are working on building an external expert and project managers' team for projects starting in one-two years' time, because they believe that using only their own inner strength they would be unable to meet the challenges ahead in the present labour market conditions. *"This is the first time that we form the structure well ahead. So far, we have always intervened afterwards. I do not know what we are going to do two years from now. (laughing)"* (CEO)

4. 5. 2. Control

The organization has always invested heavily in IT support. CRM system, process management software, pay rate accounting system, then online marketing, marketing automation and business intelligence. Long and impressive list, with each element

designed to improve internal efficiency and control. Sometimes it was too much, but they found the solution during the debates: *"We had like three worktime-accounting systems. That was somewhat an overkill."* (Development Manager) From the beginning, there have been well-structured positions, with performance reports and variable wages, even in the development team. Although the strategy was created informally by the small management team of three to four people, the annual planning (which focused on sales, development and project implementation) was precisely based on external market opportunities and internal capabilities. Based on these, the colleagues had exact performance expectations and metrics, which were measured by data from the IT systems. Three years ago, the company outgrew the limitations of its incentive system, and project leaders started to follow a bad behavior pattern: they were urged by the system to check worked hours and work overtime, so they also solved a number of customer problems that were not part of the contract. This led to delayed projects and (paradoxically) to dissatisfied customers. In one month, the organization corrected the measurement and reward system, and the problems were solved in six months. Mutual satisfaction has increased, which was also confirmed by customer surveys. To sum up, the company has a consensus-based strategy planning, which is followed by a precise annual planning. They have built an MbO system on this, and the targets are measured with reports based on IT solutions, and containing a variety of indicators. By modifying the target system, the organization is taking a new direction.

4. 5. 3. Leadership And Culture

"I don't like to work and I'm not thorough - this is why I'm building structures" - says the company's CEO. He is an extremely charismatic leader who is not a perfect manager. But he is well aware of it and he also knows that it is very dangerous if one person has to decide everything. Developing his own and his partners' management skills has been always a priority during the company's history (the Operational Director has also earned a second university degree in economics). And they were never afraid of involving an external professional, when it was needed. By today the CEO has a strategic role only at the company, but this has its downsides, too: *"human interactions are taking a hit. We have hired a new guy, but the first time we talked was after 9 months. This is not good."* (CEO) A supporting, inclusive culture dominates the company. Advanced management tools are used, and the management

is constantly able to delegate operational tasks. This is how they have capacity for further development and growth. Strategic decisions are always taken in sync with the organization, either by expanding, improving or by letting go the opportunities. The organization's culture is only shadowed by the leader's strong performance orientation. In some cases this is a blessing, sometimes a curse.

4. 5. 4. Summary

A small team of good professionals developed into a company that develops a boxed product, and is able to compete with global companies. From a solidary team of engineers, they became a professional management team, who could accept only the standards of global players. The road led through a lot of errors, failures, thereby learning and development on both individual and organizational level. The company that uses modern management tools, pays attention to the harmony of strategy and structure, continues to grow. They want to bring their new product to market structurally separated, while exploiting the opportunities of the software they become market leader with in our country. As shown in Figure 10, the development of the context results in stability and high performance. The organization achieves a certain level of ambidexterity, but now with structural tools.

Figure 10: Context and Performance of an IT Company
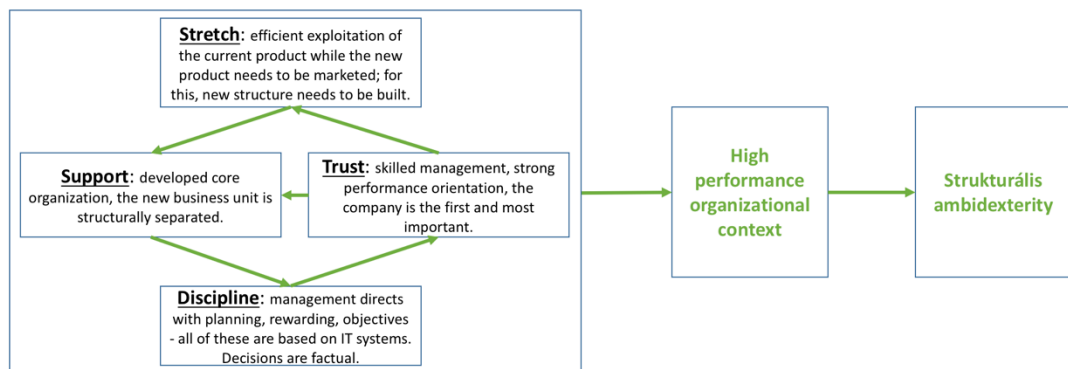
5. DISCUSSION

In order to be able to build the structure of my analytic process, I briefly recall the gaps of literature aimed in my research. As I introduced in the chapter 'Research gap in the literature of organizational ambidexterity', the important components of organizational context are now little-known, their definition is unclear [O'Reilly & Tushman, 2013, Simsek et al., 2009]. Thus far only a few have examined that by what set of management tools would be sufficient to describe the instruments of the organizational context and its four factors. One of the few is the research of Güttel and Konlechner [2009], who were examining a half-business, half-academic Company with the activity of executing and selling R&D. The research is extremely interesting and valuable, but as the examined firm is far from ordinary, the results of the research are of limited applicability.

The lack of definition for the organizational context goes back to the field-creating article. Gibson and Brikinshaw [2004] applied the factors of Ghoshal and Bartlett [1994] (stretch, discipline, support, trust) in the original research. But even then these items were analysed in a two-dimension structure, rather than separately and their questionnaire only focused on the behaviour, conduct and micromanagement activities of the leaders. It has ignored the presence of management tools and – systems, which are clearly the definitive elements of management, especially in such critical life stages where the naturally incompatible exploration and utilization must be handled together. The research have only focused on the extent of performance difference caused by the high development of all the elements of the context. They have not analysed configurations, scenarios and causations. It's also interesting, that the utilization was associated with negative phenomena (lavishness, rigidity) in their questionnaire. Furthermore they only have gathered data among large corporations (Oracle, Renault). This led to three limitations which they have also defined later:

1. Real causational factors cannot be revealed by quantitative research.

2. By the research of other ambidextrous organizations we cannot answer the question: how the organization have become ambidextrous?

3. By the research of large corporations we cannot understand how ambidexterity is developed in earlier life stages.

Conclusively, according to the literature, future's researches will have to focus on defining the key factors of the organizational context [Tushman & O'Reilly, 2013]. Tough this requires a change of methodology. According to Birkinshaw et al. [2014] and O'Reilly and Tushman [2013] a lot more deep, case-study-based quantitative research is needed to the understanding of the complex phenomenon of ambidexterity. But this far the vast majority of researches have focused on large, multinational and already ambidextrous corporations, so we know little about how younger organizations were shaped this way [O'Reilly and Tushman, 2013; Raisch & Birkinshaw, 2008].. And here we arrive to the second important research gap. While ambidexterity is a popular topic, we presently know very little about how organizations become ambidextrous [Adler et al., 1999; Siggelkow & Levinthal, 2003; Simsek et al., 2009]. This far the researches have focused on the performance impacts of different structural solutions and ignored the process of reaching ambidexterity [Güttel & Konlechner, 2009].

All in all, our current knowledge is limited on (1) how ambidexterity evolves and develops in earlier stages of growth; and (2) which are the main elements of the ambidextrous organizational context. These literature gaps inspire to phrase this research question: The presence or the absence of what intentional, organizational, control, leadership and cultural elements will support or obstruct the development of ambidextrous organizational context in middle-size corporations?

My two main goals are to reveal the major elements of the context and to understand its dynamics, the process of the context's development and evolution of ambidexterity. All these were examined in the scope of medium-sized companies with significant growth, which has at least three organizational levels, and carrying out exploratory and exploiting activities; which were described thoroughly in the preceding chapter. I mapped the four factors of Ghoshal and Bartlett [1994] to the four management functions of Dobák and Antal [2010] maintaining the original meaning in favour of the better and tangible definition of organizational context.

This is an important progress within my dissertation in the conceptual framework and methodology, because Dobák and Antal [2010] based their classification on the defining basis of management literature [e.g. Fayol, 1916, Gulick&Urwick, 1937; Koontz&O'Donnel, 1964] and specific management tools can be far better tied to certain functions (e.g. to the control functions the Balanced Scorecard of Kaplan and

Norton [1996], the MbO-approach of Drucker [1986] or the control-mechanism of Ouchi [1980]) than the original definition of Ghoshal and Bartlett [1994].

This Fifth Chapter is constructed by the research goals derived from theoretical gaps. In the next subsection, I will situate the cases in Birkinshaw's and Gibson's [2004] framework, then I analyse their positions, their intended and realized shift within the matric. I will expand the causes and I will designate the elements of the context, which existence or lack thereof supports or hinders the desirable developments. In the next subsection, I will identify those critical points, typical decision-making situations, which occured and was decisive in every company's life, and which along they parted ways.

Alongside these critical points in Chapter 5.2 I will analyse the change of the context and the process of (un)recognisation of ambidexterity. In Chapter 5.2.3 I depict the development of organizational context as an essential step to reach ambidexterity. Within this chapter I thoroughly describe the necessary contextual elements and their relations. My dissertation therefore reaches its goal contributing to enrich the literature through identified theoretical gaps: through the qualitative and exploratory case studies, we will recognise how and why the ambidexterity (not) develops in juvenile organizations, and which elements are included in the necessary context.

5. 1. Comparison of Cases, Analysis of Intended And Realised Changes

Birkinshaw and Gibson [2004] in their defining article 'Building Ambidexterity Into an Organization' introduce a two-by-two matrix to provide the acting managers with a diagnostical tool. The model concentrate the four factor of Ghosal and Bartlett [1994] in two dimensions. The first is social support. This contains the support and the trust. By the authors' defition this dimension intends to give the safety and availability to its members which are necessary to carry out their tasks. In my interpretation this covers the functions of management and leadership. The second dimension of Birkinshaw and Gibson [2004] is the performance management, which is the integration of stretch and discipline, in my interpretation, the integration of strategy, planning and control. According to the authors, the performance management is responsible for urge the members and make them accountable in order to achieve high quality results.

Figure 11: Model of Organizational Context of Birkinshaw and Gibson [2004]
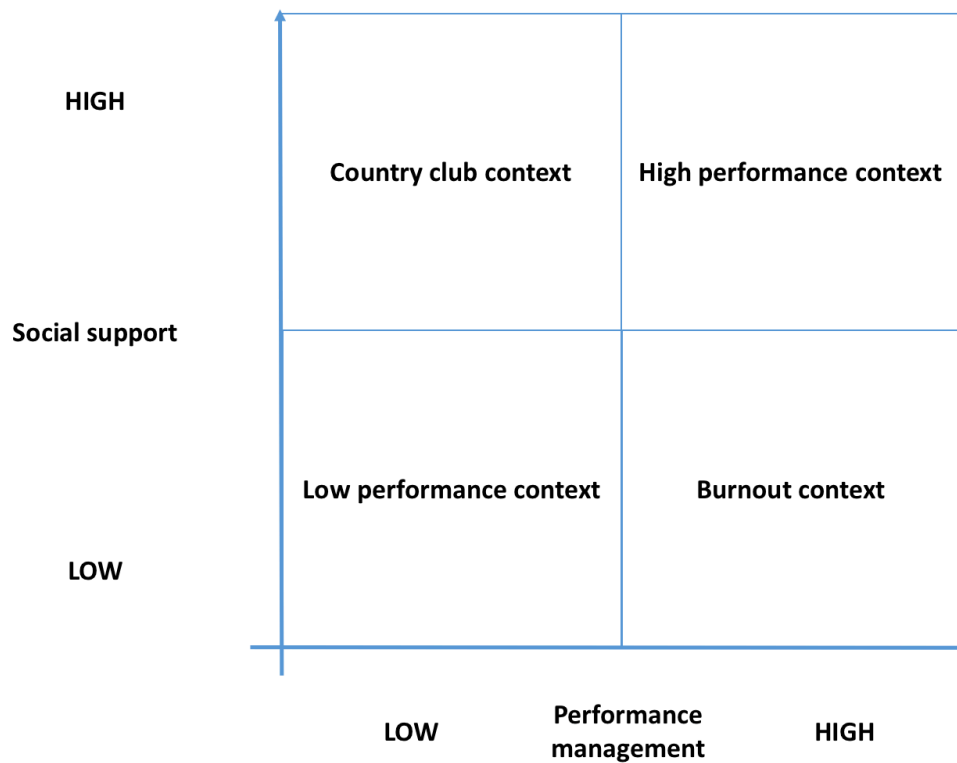
The authors' defined four possible performance levels based on the development of each factors of management context's. The first, the least developed scenario in both dimensions is the low performance context. In absence of performance expectations and adequate management support the members perform low and this hinders them in participating actively in exploration and exploitation. Isolation and fallback describes this scenario. The opposition of this is the high performance context, which urges the members for ambidexterity with stable organizational setting, management support, but with challenging performance expectations. If the goals are ambitious but the organizational setting or the management behaviour hinders the members in achieving these, burnout context could develop, which crushes the employees. In reverse situation, this is the country club context. The high social and management support create convenient environment, but these do not pair up with expectations. The members are not motivated and urged for ambidexterity. In the next subsection I will allocate my dissertation's five cases in this space, then I present the adopted, the intended and the realised positions and their causes.

5. 1. 1. Low Performance and Burnout

5.1.1.1 Manufacturer and Trading Company

In our first case the manufacturer and the trading company are in a contradictory situation. If we examine the events lightly, we can see the sector's moreover the country's company put down as a success story with one of the largest growing potential. If we look behind the curtains, we see a company cut up by differences in a growth trap fighthing against high fluctuation. Describing the differences not only serves as dramatic effects. The market success and the very strong outside affirmation deriving from it is the most important obstructive factor of recognising the problems. The root cause can be described best with a quote from the financial director: *"Until the performance remains like this and buyers line up, nobody misses the 1.2 billion Hungarian Forints liquid assets which is in stocks."*

The basic ability of the company's early life came from the managers' characters: creativity, flexibility, quicker reaction times, understanding the needs of buyers, enterprise and risk appetite. They formed the company in their own image. They built the simple-functional company from like-minded people, in which they dealt with trading and product development. This created a balance. The abilities arising from the management matched with the basic abilities of the company, which suited the habit of the members, the requirements, the business model and the market expectations. It paved the way to landslide success and outside affirmation. The basic abilities and management functional frames ingrained in the routine of the company led with strong personal management and control that the formal strenghts became the obstacle of further development.

If the company stopped at its size and does not perform new activities because of market changes, it could kept operating in the former balance condition. But because of the advancing suppliers, of keeping the market margins and the economies of scale, they had to cover more geographical area (this was not only a need but the managers' ambition), and they established a manufacturing plant. For the latter the needed abilities and knowledge were not even close to their sthrenghts and routine.

This change, the necessity of change was not recognized by the manager. He wanted everything in the same time: flexibility and innovation in trading and effectiveness in manufacturing. Although he does not perform the necessary organizational

developments. Having talented and eminent managers show that he detected the necessity, but does not assess the situation properly. He does not sees himself as the subject of change, more likely as the sponsor. 'He will solve it, right? This is why I brought him' (CEO) He excepts the company to resolve the difference between exploration and exploitation but exempts himself, does not leads the necessary changes, more likely 'orders' them ensuring the resources. The strategical contradictions are perfect indicators of the problems. He phrases contradictory and competing goals renewing in every six months lead by the impulsivity of the moment, and this creates uncertainity within the able and talented middle management, who want to develop the company – in which they are employees – with individual actions.

The process control, the ambition for standardization, IT developments and normal auditing are rendered impossible by the uncertainity and the faulty – and therefore crashing – strategy and the failed organizational development. Strenghtened by the outside success the company grows larger on the base of a former, more simple and minor organizational configuration. But this leads to an uncontrollable and unverifiable company, where the loss of personal management and control - as the only functioning management tool – can be compensated by the growth of working hours and stress or by the reduction of effectiveness a success. Meanwhile the external environment strenghtens the company and its leaders that they are successful. It is important, when they reach the critical point which puts off their belief.

Because the fault lines are broadening every day. In every process of change there are winners and losers, this is natural. But there are more conflict between the formal middle management who works for the declared goals and favours the order, the system and standardization (leaders with grave company experience gathering around productions, finances and HR); and between the 'strong people' of the former era favouring flexibility and velocity, despising the 'multi functioning'. This grievously damagest he public morale, increases the fluctuation and crushes the last remains of the company-wide identity, hastens the strenghtening of hostile subcultures and thecreation of rigid camps. It is important whether the recent changes introduced in the end of the case will be permanent or not?

5.1.1.2 Machine Manufacturing Company

Our second case is not that extreme, but is very similar to the first case. Within the stable market and with stable clientele, in the incrementally growing company's life there weren't huge shocks. Until the recession it developed within calculable circumstances, and their product range remained mostly the same. Their history in short can be desribed as the following: by one of them buyers they were able to enter their present market, then (logically) they broadened their clientele, not the number of their products (naturally the steel structures they manufactured for their clients are different, but does not require significantly different expertise or mechanization). By this they could increase their capacity without major technological changes. We see the perfect example of single-loop learning and exploitation, which was an excellent decision in this business enivornment. However the external capacities changed suddenly during the recession. The previously described effects (quality standards of automobile manufacturing in machine manufacturing, cheaper competition, decrease of margin) brought the company new conditions in two years: they had to produce more and better for less income.

They had to develop radically their exploitation abilities. Stating that they did not see its necessity would be a mistake. The case of the manufacturing and trading company, and the machine manufacturer company shows the largest similarity here. Although the company is not a widely known success story like the first case, but it was in a relatively convenient position when the recession came: ongoing, slow growth, few changes, stable ability to make profit. Naturall it operated (and continues to do so) in a functional management form but the personal leadership and control played (and still plays) an important role. The external and internal affirmation created the country club context in Birkinshaw's and Gibson's classification [2004], which can be described by supporting and convenient circumstances and low performance expectations. The developing ogranisational interia and the weak, incomplete or false situational awareness lead to bad strategical decisions in a critical moment. It is intriguing that the two companies reached the same point arriving from different directions. The first company changed its activity from developing-trading to manufacturing, the second wanted to become a developing-trading company from manufacturer. It is similar that they made a bad strategic decision, or even if the fundamental principle was right, they allocated the resources unevenly between the

exploration and exploitation and learning rarely materialize between exploration and exploitation, they more likely cancel each other out. In the first case the structure of manufacturing, but in the second case the desire to move forward in the supply chain within growing competition cannot be critised. The real problem is that they both underestimated the organization, process, rules and other factors providing stability and support, namely the importance and resource demand of imporoving the organisational context, and they dedicated more people and capital to projects dearer to them.

It is an important difference that in the first case the organization hardly tolerated this. But in the second caes, the managers socialized within the country club context were definitely glad that they had to deal with the new machine, instead improving the 'boring' basic activities. This however – as I introduced thoroughly – lead to that the key persons dropped out from the standardization process, while the whole organization waited for the new innovation like the Messiah -which never reached its completion, because they weren't experts. They reacted differently to the faulty strategy, but the results were the same. They managede to hold the lower growing company together only with overtime, fire control and increasing the perconal leadership and control, witgh decreasing ability to produce results. In default of stable organizational base, defined processes, roles, liabilities, structures, they sabotage the introduces IT tools (here were unused terminals of electronic labour report system when I visited), the control functions are undermines, the sysrtem of leadership meetings become drained (during my research they suspended their meetings several times).

5.1.1.3 Comparison and Conclusion

It is an important similarity that both companies successfully managed to step out from small business and become an internationally important actor, managed to build a strong basic team, and identified its strengths and initial competitive advantage. To their first growth stage, a less regulated and standardized operation than the typical functional organization can be attributed, which central coordination tool is the leader's personal presence and control.

Until this stable, consistent and initial configuration is effective enough for the exploitation and can be beared by the members, who tolerate the new exploration

activities, then the companies can grow without shock. This is not simply a case of tiny incremental improvements. In our first case the company becomes a product developer from simple importing-trading company, in our second case the company builds factories and becomes from a minor Eastern-European supplier into an internationally important and known actor in the whole sector. These are major changes.

However, it is a common mistake that they don't or badly notice the critical moment where this context becomes inadequate, when it cannot handle the size and complexity with simple tools. The growth traps of Penrose [1959] and Greiner [1972] evolve, the quality of the implemented management tools is not appropiate for handling the size. The leaser, who until now could balance well between exploration and exploitation - partly misled by the internal and external affirmation, party by his faulty situational awareness – now makes a bad strategical decision and does not allocte appropriate resources to organizational develoipments. In both cases this leads to the faulty development of organizational circumstances, but while in the second case this is a professional and leadership mistake, in the first case the personality and behaviour of the leadership has great impact on the birth of the faulty strategy.

The incomplete, contradictory or faulty strategy strenghtens the natural differences in both organizations, which greviously damage the culture and common identity. The missing organizational base makes the IT and contol developments impossible, and this urges the leader to involve more person creating vicious cycle. The most defining quote resembles this phenomenon well: *'If I had the time, I could solve the problems of the firm in 24 hours!'* - CEO of manufacturer and trading company.

The tasks of the organizational context development are underestimated, and based on the old rutines the leasers think thet they will outgrow the problems, they will solved by the company itself. They allocate he resources to the activity dearer to them, thus digging the pit deeper. The last board meeting of the manufacturer and trading company I observed was a very intriguing event: maybe I saw the turning point? The moment, when the external and internal affirmation decreases, the negative feedback increases and the management is willing to engage with restraining their own development, and exploration aptitude?

Figure 12: Low Performing Companies' Intended and Realised Changes
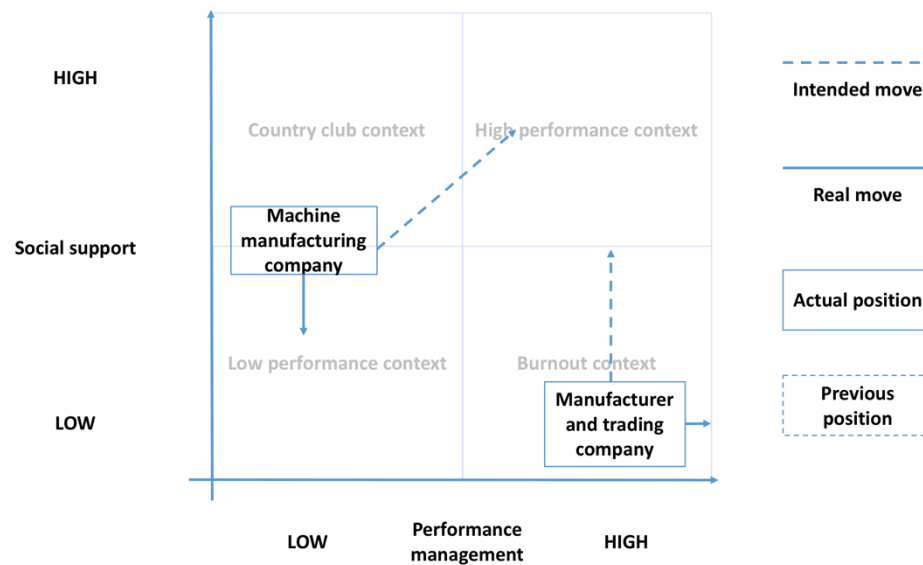
On the Figure no. 12 we can see that companies with different background take very similar direction. The first company's individualist, meritocratic, market and buyer oriented leader does not notice the changed circumstances caused by manufacturing activity, he underestimated these, but with his high expectations weighs the organization down. The near-burnout conditions are more serious, which appears in the fluctuation and the decay of general sentiment. Despite the company's most important task is to improve the organization, they did not step forward. (Maybe now.) In the second case the characteristics and behaviour of the management does not impinge the strategy that much, but – similarly – faulty goals may develop, which renders the actual and necessary organizational changes impossible. In the former, successful growing stage a contex built on personal presence, leadership and control developes, which creates a balanced condition, and the company successfully grows. The organization cannot handle the size and complexity, the management assess the situation unrealistically despite this and set goals for the company.

The results strenghten entirely the results of basic management literature such as the main message of the growth model of Penrose [1959] and Greiner [1972], but widen the definition of growth: not just the quantity represents the challenge for the leadership, but we can see that in an early stage the different quality of the activites, and the faulty assessment arising from this can cause serious strategical problems. The organizational inertia caused by stable organizational context and external

affirmation is an example for single-loop learning and exploitation trap [Fauchart & Keilbach, 2009]. It is understandable that the interpretations like 'it worked before', and 'it was profitable' can strongly deform the leaders' attention, but the cases raise awareness of the key role of leadership within the management of resource allocation between exploration and exploitation and the development of organizational context, which issu is discussed in the theory [e.g. Romanelli & Tushman, 1994; Mom et al., 2007; O'Reilly & Tushman, 2007 & 2011; Carmel & Halevi, 2009; Brion, Mothe, Sabatier, 2010; Rosing, Frese & Bausch, 2011]. The conflicts which are undetected and incorrectly or under-handled cause serious cultural damage. The experiences confirm that the internal organizational rivalry caused by the differences between the leaders' behaviour and motivation has negative effect on ambidexterity [De Clerq et al., 2014], moreover it hinders its creation. The absence of appropriate creation of structure intensifiey the differences between the formal and informal organization and damages the human and social relations [Gulati & Puranam, 2009; Jansen, Van den Bosch, Volberda, 2006, Mirow et al., 2015].

5. 1. 2. Exit from Low Performance

We can copy the previous chapter's findings to the prelude to our third and fourth case. The presented agricultural and logitics company is a good example for how to break out from the detection trap presented in the theoretical introduction and practical analysis [Ahuja & Lampert, 2001; Fauchart & Keilbach, 2009; Herriott, Levinthal, & March, 1985; Levitt & March, 1988; Radner 1975], which key factor is the leadership and its leading and managing skills. The history of the companies are similar and run in the parallel route until a point. The next cases to be analyzed managed to get further in development, and this is caused by the leadership's knowledge, experience, situational awareness and ability to change.

All three companies' founding idea was innovative, and they become succesful actors soon in their aimed gap market. The agricultural company built serious professional knowledge, relations, manufacturing and processing capacities for large breeding houses in the field of plants below the economy of scale but supported by the regulatory environment. The logistic company could integrate and provide services with greater added value to its industrial clients in a standardized market full of almost perfect subtitutes. The IT company faced the flaw in document management and the high price of available alternatives during a development task,

thus it started to develop its own solution. Their first stage of life and their initial growth period are similar. A storng, inspiring and verturesome professional with serious professional experience gathers people with similar habit. The agricultural company have worked in the sector, gathered serious professional knowledge and recognised the gap products. The leader og the logistics company fulfilled a learing role in automobile manufacturing, planned and executed factory establishments while he got to know every step of factory management in detail. Returning to the familial transport company he knew exactly what needs will his future buyers have opposite to a more integrated logistics service entering production.

5.1.2.1 The Early Stage

The agricultural company included former colleagues and talented, agile, entrepreneurial youngsters. Such relative professionals worked for the logistical company who liked the entrepreneurial relations and the family mood. To IT company was founded by college buddies cool initially filled up all the important positions. Origin meant an important cultural bond even later: who lived or graduated in the city of the University was recruited more easily into the team. Simple homely and reactive organizations have formed with a strong personal leadership.

The organizational frames were similar in all the five cases. It's important to note, that this period of time can only be recalled by the interviews, the perceptions could have been distorted. According to the recollections, all companies operated in a flexible homely and mostly unorganized way which was held together by the presence, personality, decisions and work of one person. As an earlier phenomenon it can be noted, that although every firm has operated by functional division and quality division of labor even in the early stage, the superiority of personal leadership was an absolute guiding principle for a very long time.

Every leader reported that the team was very unified because of the small size, personal relationship, similar personalities and the deep involvement into the everyday work, and that is why strategic plans have forged together the members. Though formal strategic planning was not peculiar, because of the intensive interactions, the constantly forming vision uniformed the members. *We were like group of guerrillas! (CEO, agricultural company)"* It is true in all the five cases, that's the enterprising and creative atmosphere driven by strong and charismatic

leadership was inspiring, but there was a selective criterion in place: those who longed for greater safety and more secure environment did fall out rapidly. "We are here because it is not a multicultural company! (HR leader, manufacturing company)" personal leadership is a function was also the most important tool of coordination: all the definition of goals, organizational frames, control and rewarding have happened in the form of personal interactions. This created a favorable and stable configuration as the leader sticked to the company with every nerve, and a responsive and enterprising team have followed all his moves. This context was suitable for the effective exploitation of the current products and markets while responding quickly to the new opportunities. It is important to note again, that I have restored this period of companies only by the recollection of leaders, so the results are limited. In the future, it's worth to examine that how the companies operating in a simple organizational structure can handle the issues of exploring and exploiting.

5.1.2.2 The Critical Point

However, it has changed in almost 3 cases, similarly the first two observed companies. The stability of the organization was crushed by the growth of size the external effects of the market and the start of new activities, which have surfaced at the critical point and started out irreversible changes.

For the logistical company the economic recession meant a huge challenge, the increasing gas price, the forming consumption and the collision of their buyers' market affected the company severely. The former price margins have never returned which have led the affection of leadership to increasing the volume and the enhancement of effectiveness which was not so important earlier. These processes promptly uncovered that the present organizational conditions are not sufficient for handling the size and complexity.

In the agricultural company the founder was responsible for international relations, the whole commerce, and every task over the management besides the direction of manufacturing which he could not handle effectively anymore. However, it has grown from a little supplier to an internationally recognized for which was operating in strategic alliance with another great breeding house, and recently prepared for acquisitions. By the growth of complexity and size the stable personal and professional relations came undone, there were more and more differences within the

founding colleagues. The leader was isolated, their resistance became perceptible and later open. The intensity of exploring and exploiting activities have not dropped, besides the growing quantity, new products and radical political improvements and IT upgrades commenced. The arrival of the qualified commercial leader set the situation on fire. Expressed and explicit conflict emerged in these strategic topics between the key employees and the leader: the most important workers did not intend to take part in a more formalized operation as it was not of their best interest.

The IT company went through a considerable growth of quantity and intended to conquer the competitive sector also, which was a new challenge in comparison to the public sector, and it had to reach high international standards. From a friendly garage compan they had to become a *"little multinational (CEO)"*, but this goes with the restriction of the former on the bound relations. These situations were fate changing moments in the lifes of the companies. Certainly, the critical points are easy to identify subsequently, however the lack of balance in the development levels of size, complexity and management tools have slowly emerged and led to the dysfunctions presented in detail in the case studies: overload, isolation of leader, unbounding strategic unity, sabotaging tasks and improvements, forming of coalitions, fluctuation, unmanageable and conflicting organization.

In summary, when the companies would have to respond to higher management expectations, because of the changing market environment and overload of new improvements and discoveries, breaking points started to appear, similarly to the first two cases. However, the street successful companies were able to go through this point, because they had or acquired the needed management knowledge and despite the earlier presented traps they were able to recognize the need of change.

5.1.2.3 *Improving the Organizational Context*

It's a huge difference to the first two companies which have stuck in development, the oldest three currently analyzed companies have definitely committed to the improvement of organizational context. They did this for to be able to carry out their exploration of initiatives while successfully exploiting the current possibilities. The agricultural company could integrate the acquisitioned farmers, learned new activities during the development of new products and created outstanding IT and technological solutions whilst keeping the strategic supplier positions which was its

basic activity during the last 20 years. The IT company was able to develop and introduce a whole new software I have keeping and strengthening its leading role on the market basic products. The logistical company was in the process of contextual development at the time of my research but it is definitely declared and followed goal to improve the organization to be able to reach future possibilities.

5.1.2.3.1 Strategy

At this point the first two cases and the stories of the three successful companies divide. The prime goal of the strategy was the development of structure all from even due to damage of business objectives. The agricultural company allowed to flow investments and developments in an almost dangerously because the leader in the organization have focused almost exclusively on the development of the organization fo 18 to 24 months.

After a turbulent time, the new leadership sets right the hardly comprehensible investment portfolio. The logistical company have frozen further exchange growth, and was even relieved when it lost a small client. It's an important common point between the two companies, that because of the inner crisis there was no strategic concord within the organization, but the leadership was absolutely committed to development in the both cases. In the life of the IT company there wasn't an explicit crisis situation like this, and maybe that is why the strategic unity could be maintained within the leadership. They have mutually identified the needed organizational changes which often affected themselves, and decided together that it is necessary to develop new products while exploiting the old ones, which will cause overhead and the new task division.

5.1.2.3.2 Organization

Regarding the second factor of the context, the organizational conditions, there are huge similarities and naturally radical differences compared to the first two cases. It is particularly interesting that I could observe currently working process at the logistical company and the direction of initiatives was in alignment with the stories of the already developed companies. In section 5.2.3. I analyze the elements and systems of the organizational context in detail but it is explicitly clear that all the three companies went through a strong standardization. They have constructed clear structure with clear cope of responsibilities and powers which decreased the number

of interest conflicts. Regulations were applied in the key processes from which protocols and procedures were made. These initiatives cannot be seen as new features in the management studies they are rather basic stations both a certain organizational size, and they are logical solutions for early developmental crises [Greiner, 1972]. Steel at the field of ambidexterity, particularly in the area of contextual ambidexterity, where the definition of context and the process of evolvement were yet slightly analyzed, the justification of standardizing pries into interesting thoughts.

Experiences support the results of Güttel and Konlechner [2009], according to whom dynamic base structures, groups and projects are necessary to reach ambidexterity. The enhancement of project focus and the development of professional project management skills made a spectacular scale in all the three companies. Because of the development focus of the IT company it almost reckoned as a minimum, and it meant no problem for anyone to participate in additional tasks besides the basic ones. For the development project involved an outer professional, this is how the later operative leader came into sight. The agricultural company introduced task management modul for its corporate governance system, the strategy-based projects got an emphasized role within the annual planning methodology, and of course the waging of leaders mostly depended on the project.

5.1.2.3.3 Control

This topic leads to the area of control. The three companies started serious IT development. The logistical company purchased new solutions for the industrial branch, and adjusted them for its own processes. In the future the system fully supported the logistical shipping and the call method financial and liquidation procedures which allowed real-time reporting. The agricultural company integrated corporate governance system, a radio-technology-driven supply management system, and an agricultural production guiding and control system, which were integrated into business intelligence solutions. It was completed by numerous privately developed planning and report modules. As a good inventor, the IT company have experimented on itself first, the inner communication and process management system was adopted within doors for the first time. It was completed by more customer management (CRM), ticketing and time management systems. In the operation of the company they never use paper. The annual objective and financial

planning would be built on these firm strategic organizational and IT fundaments, which drawn up new goals regarding financials, customers, procedures and learning in the structure of balanced scorecard [Kaplan & Norton, 1996] system.

5.1.2.4 *The Means of the Ability of Change - Leadership*

It's an important question why the latter three companies were able to do apparently logical development of the organizational context while the first two didn't. This question has many sides and it would be worth to analyze the role of internal and external effects of the top manager by different methodological approaches. As my research is focusing on the tools and changes of the organizational context and the development process of ambidexterity I will not hazard a guess, but my results raise the awareness on the role of affirmations which will distract decisions and impede the interpretation of the situation.

George, the leader of the logistical company, have been worked in the car industry earlier, and took a backseat in several great projects of factory building and manufacturing. During his career, he met more highly management standards, and also currently has interest in companies of the car industry. So one the family for start to reach critical size under his watch, he could easily detect the differences, and the road to solution was not unfamiliar for him either. The leader of the agricultural company was in a much more unfortunate situation. However, as a leader he continuously trained himself, went to conferences, and what is much more important, he always tried to learn from his buyers which were multinational companies. Although he couldn't copy the patterns, as he proceeded with open eyes he could detect the differences of arrangements and the performance boosting effect of management. The last push was given by a close relative who participated in high quality management education at home and abroad also.

Because of the character of the industrial branch the IT company has to reach a multi-like level in a short time. The breaking into the public sector, moving company headquarters to Budapest, and matching the customers (as they go from competed with companies of global concern) were such effects that made management explicitly important in the firm, in contradiction to a hard-core of the manufacturing and trading company and engine building company, where leadership counted as a

pseudo-science and a curse word. The leaders of the IT company later complimented their engineer degrees with economic ones.

In summary, all three leaders are qualified for management or able to admit the lack of knowledge. The ability of self reflection is of utmost importance. We could see very well in the first two cases, where leaders perceptive the development of organizational context as a purchasable service or leavable problem, hereby making a fatal mistake. The leader of the agricultural company is exemplar, who didn't have any economic qualifications yet was able to make the right decision in the same situation, like the engine building and the manufacturing companies'. He considered himself also the subject of change not just its customer. Of course, it would be a hasty statement to decide, who is a good or a bad leader, based only on these results. My research is not fit to conduct the inquiry of these questions - the earlier regarded further examinations help the understanding of the effects and trap situations disturbing the leaders. The results once again raise the awareness to the importance of management knowledge and external feedback. Figure number nine sums up the main constituents of the organizational context in the five cases. Green is right, red is wrong, yellow is a developing area struggling with smaller problems.

Table 9: Comparison of the Context of the Examined Companies

| Dimension [Birkinshaw & Gibson, 2004]	Context factor [Dobák & Antal, 2010; Ghoshal & Bartlett, 1994]	Manufacturer and trading company	Machine manufacturing company	Agricultural company	Logistics company	IT company
Performance management	Stretch- Strategy	Contradictory strategy	Accepted, but wrong strategy	Correct strategy creates unity	Correct strategy	Correct strategy
	Discipling- Control	Personal control	Personal control	IT, BSC, MbO	IT, BSC, MbO is under development	IT, BSC, MbO
Social support	Support - Organization	Unregulated, undeveloped structure	Unregulated, undeveloped structure	Controlled operation, exploration is dual structures	Szabályozás zajlik, felfedezés szeparálva	Controlled operation, exploration is structurally separated
	Trust – Leadership, culture	Personal leadership and management, contradictory values, individuality	Power of expertise is overrated, management knowledge underrated	Integrating, educated leader who manages conflicts. Strong strategic vision.	Integrating, educated leader who manages conflicts. Strong strategic vision.	Educated leader, clear and accepted strategy, but too intensive performance orientation
Performance		Low performance - Burnout	Low performance	High performance	It can become a high performance context in the future	High performance

5.1.2.5 Reaching Ambidexterity

The logistics company was able to say no to further growth and wants to be a highly managed, effective corporation. The agricultural company have broadened its portfolio, multiplied its size, acquisitioned companies, started new activities, produced its own R+D results and introduced them to the market, became market leader in new segments and expanded backwards and forwards in the supply chain. Naturally, these changes did not occur only as a cause of structural modifications. With an exception of a 2-3-years period of an internal crisis, the improvement was continuous. The change of the structural context is not a basic condition, but a factor which limits from above: the organization would have got stuck by not implementing the upgrades, and as Penrose [1959] wrote, most likely relapsed to a smaller and simpler level, which would have been manageable without conflict. Learning was continuous within its activities: the R+D projects, which provided a commercial protection after the experimental and breeding period, were defined by the exploiting trade and the leadership with strategic-level thinking. The opportunity given by the legal conditions and gaps were seized by an unnecessary work (market-construction, product display, promotion of high-potential products) for which the employees had a reluctant attitude, but the tasks, performed because of the ongoing communication, monitoring and compensation, have created huge exploitation options in a 2-3 years range.

The IT company have bulit the software on the experience gained by the sales and development of the new product. They have discovered many issues at the clients that were less manageable by IT. The new product also created a new category so the market indroduction was a difficult and exhausting process, but the success is already evident. The methodological knowledge gained through new challenges is continuously flowing back towards the base-product.

On the basis of the results we can state, that during their history, the analysed agricultural and IT companies have reached a certain level of contextual ambidexterity. being able to handle exploration and utilization tasks only by leadership tools within the organization, involving the individuals to take part in both. However, the IT firm went further than that (I analyse this matter in detail in section *5.2.5. Possible structural separation*). After many successful and unsuccessful projects management have decided to organize the new product as a

stand-alone company with individual team and new brand. They wanted to avoid conflicts of interest and management was tired of continuously bringing colleagues around by the elements of context. This experience is very similar to the directions developed recently within the agricultural company. *"I know that it's necessary to plan for weeks and sit on meetings. But I really like to go out to the fields!"* (CEO, agricultural company). If we would like to resolve the on-line contradiction between exploration and exploitation, that will undoubtedly cause tension, because the presence and the person of the leader are both tools. The tension evolving in and coming from the colleagues is also perceivable in management. This is a necessary, but not closely pleasant consequence of this kind of contextual operation. These perceptions have started a slowly developing structural separation also in the agricultural company. The exploring and exploiting groups in conflict (R+D and sales) were moved further from each other and by hiring more people, separated the exploring and exploiting tasks on the level of the individual: so the sales manager got a young deputy, who did not like to concern with market-building, even though most of his money was depending on it. The results reinforce the founding of Gibson & Birkinshaw [2004] and Kauppilla [2010] and contribute to the scientific debate concerning the relations of the outward forms of ambidexterity. The cases demonstrate, that the temporal, structural and contextual perceptions are in a completive relation with each other and are rather alternative than hierarchical resolutions. It is important to note, that the two cases are a very limited sample, so I do not wat to come to such conclusion that the ability of contextual ambidexterity is straight road to structural. Undoubtedly, there are many cases in practice that prove the contrary. I only want to raise awareness on the possibility of change and the alternative relation.

Figure 13: Intended and Realized Developments of the Analysed Companies
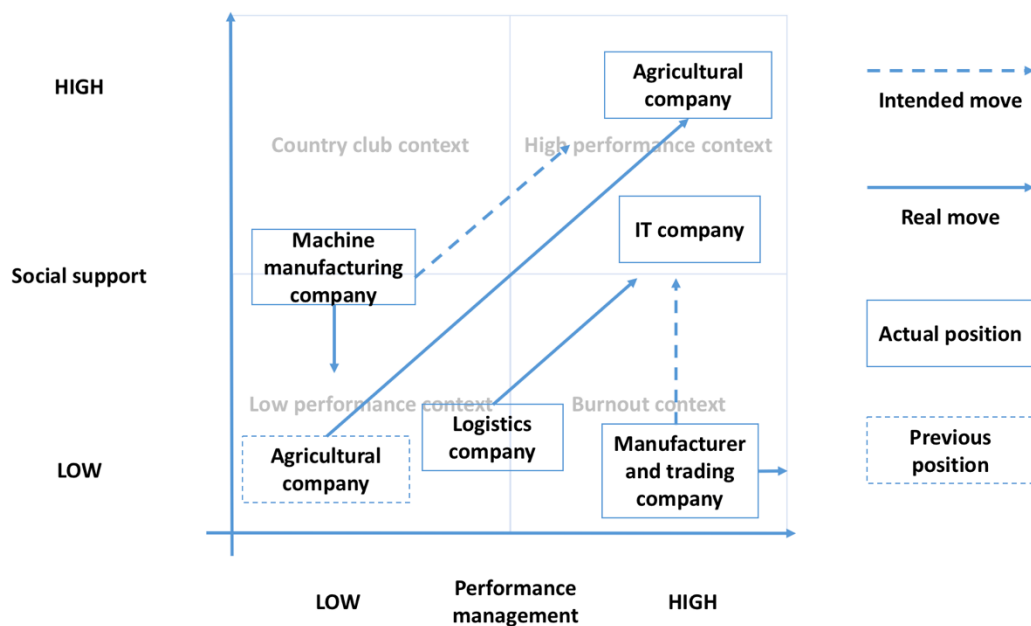
As Figure 13 shows, the agricultural and IT company were able to move from their initial positions because of the above-described process and finally they hey have a high-performance context which ensures high organizational support, but also stands up expectation of high performance. The depiction of the IT company is not a coincidence. The performance-centric approach coming from the habit of leadership is damaging the context in most cases, but not in such extent, that the dysfunctions described in the first two cases would even slightly appear at the company. The logistic company is currently working on the development of its context, but based on the examples, it goes in the right direction to reach the high-performance context.

5. 1. 3. Critical Points During the Development of Companies

I analysed and compared cases in section 5.1 in order to attain my two most important research objectives: (1) get to know and understand the process of reaching ambidexterity and (2) explore the elements of the organizational context necessary for ambidexterity, to provide a deeper definition of context.

It is important to underline the limits of my research. I only analysed companies that intentionally explore and exploit, so the results of my work are far from being universal and only show conclusions for companies in similar situations. Because of the qualitative methodology the sample is limited, so the ways of development described in the current and next sections are also not complete. Possibly, there are a number of other movements and ways to become ambidextrous, and options to

choose between structural or contextual resolutions. Another limit is, that there are some definite factors and decisions of the early life stages, which are only recalled from the memories of interview subjects. Besides I have identified more effects in the development process which are critical according to the research results, but my work have focused on observing the elements of the organizational context, so I cannot come to conclusions about these effects.

Alongside these limitations the research has many results. The cases outline, that in the early, personal leadership-based organizational context the leader himself is the most important equipment, which creates unity and handles the conflict between exploration and exploitation. In this stable state, although by single-loop learning, companies progress radically: they achieve serious success without considerable modification of the functional framework. Though concerning the market- or product-structure they could make big steps, the basic strategic, structural, management- and controlling systems remain intact. But the external effects of the market, the critical extent of size and the growing complexity of activities induce such a critical point in every analysed organization, where it'll be unable grow further without developing the organizational context or spoil either exploring or exploiting functions.

The distinctive factor between the cases is, if management recognizes this moment and makes the right decision. Tha manufacturing and trading company did not do it for a long time and paid for that with fluctuation, low performance and serious structural and cultural conflicts, but maybe finally came to a turning point. The engine-builder company made a wrong strategic decision and did not deploy enough resource for the development of exploitation activities and organizational context, so it is only able to lead the necessarily growing company by personal leadership. The leader of the logistic company based on former experiences came to the realization, that an act is needed and started to develop the basic structure. On an interesting note he decided in advance to separate the future exploration structurally, so it won't decrease the effectiveness of exploitation and will avoid task-conflicts of the personal level. The leader of the agricultural company learned from his customers and listened to trained managers. Slowed down, modernized the company thus it could accelerate. But he also grew tired of handling conflict coming from contextual ambidexterity, so he slightly moved in the direction of structural separation. This

process has already finished by the IT company, where the new product was legally separated from the original product and the parent body. The latter two have changed the operational frameworks and learned, the critical size of changes which can be endured by the base structure in the form of substructures and when to reframe the elements of context or radically change the structure because of a major upgrade. Frankly, the've become able to transform the organization, to double-loop learning.

## 5. 2. The Development Process of Ambidexterity and the Necessary Organizational Context

In my analysis I have identified five important steps in the proves of reaching ambidexterity. First is the early stable state, **the period of single-loop learning and its traps**. Second is **the detection of organizational conflicts**, which is a critical turning point in the life of the companies. If the detection occurs, the third period is the **development of context**. Fourth is the **reaching of ambidexterity, the realization of double-loop learning**. If companies go through this complex process of change, gaining the ability to recognize their organizational limitations, they will less likely to fall into the already described traps. In compliance with my presuppositions, companies reach ambidexterity firstly in a contextual form. It is possible though, that they will later change to **structural separation**. This is the fifth, optional step of the process.

5. 2. 1. Development by Single-Loop Learning

Once more I would like to underline, that the conclusions of this subsection are drawn from the results of retrospective interviews, which could have been distorted by experiences as the time passed. Considering this limitation, the early life stage of companies is rather simple and instinctive. In a way described in section 5.1, all firms follow a specialised division of labour, but the structural form is not even close to the textbook's hypothetical functional organization. Though centralization is strong, regulations and other coordination tools are far from satisfactory. In most cases the management cannot and will not withdraw from the operative work and decision-making situations. In all cases the imperfections are counterpoised by strengthening personal leadership and using person-oriented coordination. The almost total integration of leader and organization is creating a safe and stable context (the leader himself is the most important bounding mechanism in the

organization), with the restriction, that the capacity of the organization is limited by the working capacity of the leader.

Figure 14: Early Stage of Organizational Development Process, Single-Loop Learning
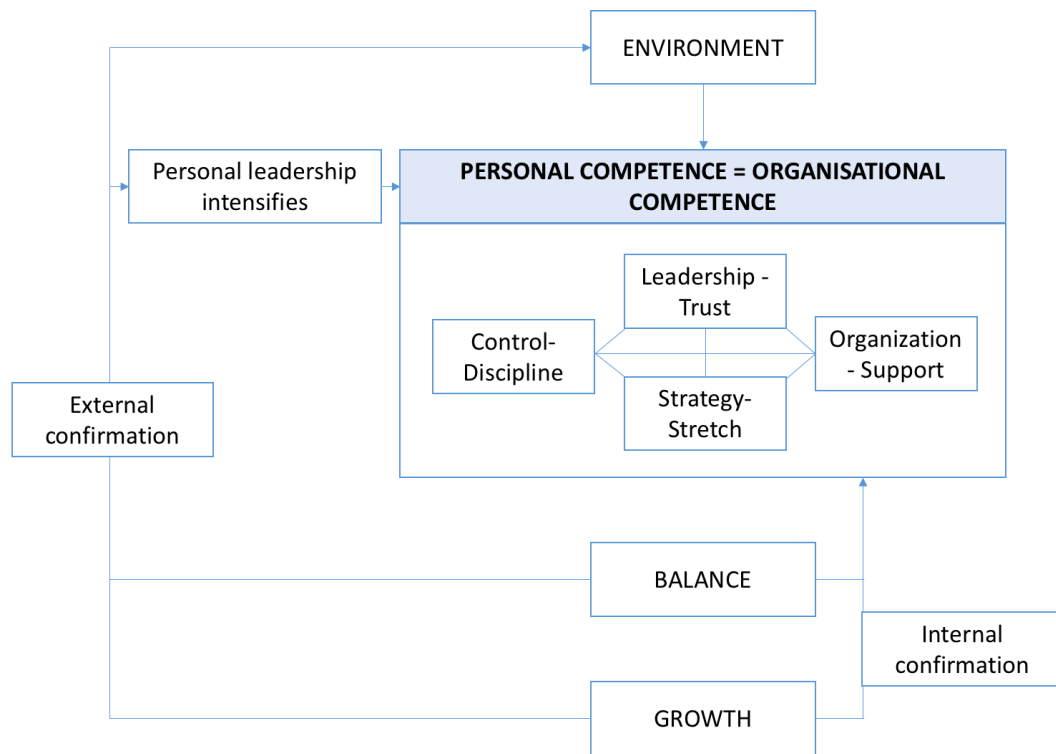
As Figure 14 shows, the leader is the connection between the elements of context. Strategy is an idea coming from his head, in which cognitive patterns and enterprising approach are strongly dominant [Mintzberg, 1998]. Frameworks of management are mostly informal, as the first, professionally sufficient and hands-on applicable regulations and standards are made in the later development of context nonetheless that they would have to exist in this early lifestage [Dobák & Antal, 2010]. In the control, the personal supervision and personality-based clan-control are dominant [Ouchi, 1980], but we cannot see well-developed IT and controlling solutions.

The personal competences of the leader are defining the abilities of the organization. The agricultural company establishes a producing plant, outsources the material supply and brings in a strong partner for sales. The step is logical, because it worked in a similar-sized factory on the beginning of its course. The real strength of the manufacturing and trading company is watching the market, dictate trends, creative

product development and good commerce. Their strengths are similar to their leaders'. This will cause severe problems later at the manufacturing division. The engine-builder company has a strong manufacturing knowledge, as its engineer founder. Problems (partly) come up to the surface when they start product development.

The only filter between the organization and environment is the leader(ship). He negotiates with clients, attends expos, fares, and gets tenders. Because of the strong centralization and the operative presence of the middle-management can never be so strong to be involved in strategic decision-making. The conflicts of exploration and exploitation can be resolved by manual control and flexibility arising from the lack of formalization in the safe environment of strong personal cult. This state of balance provides a good base for growth. The manufacturing and trading company starts with import from China and local sales. Five years later, it pockets the appreciation of the European market by its own product developer team. But not one of the elements of organizational context is changed significantly. The engine-builder company breaks from the shadows of its sole customer and goes through a huge quantitative growth. Though a formal middle-management is developed, the CEO is needed for almost all of the operative decisions concerning production. The leader of the agricultural company goes to the international market with a little help from a big customer, but calls all the commercial, procurement and investment decisions on the strategic level, and also leads all the projects. The IT company becomes and important public contractor from a team of undergraduates and friends. The logistic company provides its advanced service for more big companies but the initial, homely work process handles the tasks less and less.

The leader perceives and filters the emerging opportunities in the environment. All founders of the analysed companies are highly entrepreneurial individuals, so growth and exploration are not only the consequence of functioning, but a strong ambition of all. The mostly broken and undeveloped elements of the organizational context are filled and kept together by their presence and work, which creates a stable state. But this strong leadership role may become counterproductive in two aspects. The logical step of the leader's presence is, that a serious culture forms and the members of the organization start to behave in accordance with the context – their proactivity dwindles or not even forms. This will stand out in the next subsection, when the

leader reaches the limits of his capacity, but cannot involve his employees into the initiatives, so that exploration projects and exploitation will also be damaged. In summary, the internal reinforcement coming from stability, growth, distinctive personality and role will stabilize them in the belief, that the current context, personal performance, strong centralization and low empowerment of the middle-management are the proper process framework. This reinforcement is increased by the external confirmation, because the market acknowledges it. The manufacturing and trading company wins numerous professional and design awards, its sales numbers grow radically. The agricultural company goes through a serious growth, expands its buyers' circle, gets more professional and public recognition. The engine-builder company is approached by new clients, orders are growing, so based on the financial and customer's feedbacks it can logically came to the conclusion, that it's on the right path.

In summary, and staying on the level of contextual elements of the organization as the focus of my research, it can be laid down, that in the first life stage of companies the small size, strong informality, the entrepreneurial team of similar personalities and culture are typical, in which the most important coordinating element is the leader himself. Structure is undeveloped. Though work is divided qualitatively, but the regulations and competencies infer to much simpler organizational relations. The leader is the strategist of the company, the organizational competencies and strengths are the same as the leaders while the control, the resolution of the conflicts between exploration and exploitation is also performed by the leader. They are built upon the flexibility and poor regulation of cultural fundaments – it can be fairly seen in the cases of the engine-builder, manufacturing and trading, logistical and agricultural companies, that a sophisticated management is an explicitly expulsive value and it starts to widen the gap between management and leadership, when thei reach a critical point of growth.

Figure 15: Development in the Early Stage Context
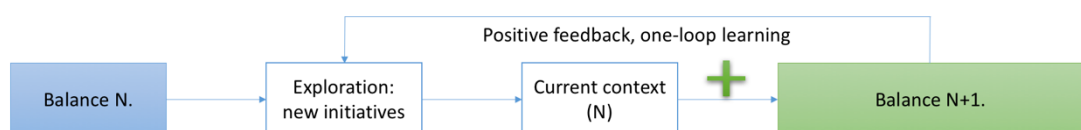
Yet as Figure 15. shows, while the size and complexity of the structure does not push the limits of the context, leadership is able to successfully grow based on internal and external reinforcement without changing the context and it is able to seize more and more external opportunities. The company grows without changing the operational routines, within the usual frameworks, by single-loop learning, but the effects could distort the problem-detection of the leadership as we can see in the cases of the machine manufacturer and manufacturing companies, although overcoming this problem was not easy for the logistics and agricultural companies either.

5. 2. 2. Conflicts and Their Detection

The undeveloped organisational context reaches its limits because of the changing market circumstances and the organisation's size and complexity, and causes numerous conflicts and fault lines. As I introduced in the previous section, the greatest limit is the capacity of the leader as he is the main tool of coordination, he detects the surrounding opportunities, he decides on the exploration activities and controls exploitation, and the organisation is balancing between that two based on his personal presence and value judgement. At the time of reaching the limits of balance, the underdevelopment of context becomes a serious limiting factor.

The values described in the cases, like flexibility, individuality, lack of regulation and the previous basic abilities become fundamental rigidity [Leonard-Barton, 1992, 1995]. When detecting the pushing of limits, management expects more self-reliance and proactivity, and more regulated and controllable work from the organisation, which is contrary to the earlier values. In the eyes of the 'old team' the improved management, precision, compliance, administration and accountability become anti-thesis and every incoming leader with these values becomes an enemy, as we could see in the case of the IT and sales leaders of the agricultural company, or in the case of the HR/logistics/manufacturing/procurement/financial director of the manufacturing and trading company.

It is important to mention, that the pushing of his own limits causes the changed perception of the leader, and his altered expectations only reach the level of statements – he heimself will not change and will not start great modifications. This corroborates with all the cases, the stories of companies that went through successful or unsuccessful changes. Firstly, management wants to reproduce themselves in the

leaders. They want many autonomous, entrepreneur leaders, which is depicted best of all by the quote from the CEO of the logistics company: 'I need many little pitbulls, who will eat their ways through the wall!' But this concept is false and wrong from many aspects. The most important is that the members were socializing within contradictory circumstances. They had to work in the rapid-action-unit of a strong, ever involved, decisive and charismatic leader. Secondly, based on all the fundamental management-literature [eg. Dobák & Antal, 2010; Greiner, 1972] it is obvious, that growing size and complexity must be responded by qualified, autonomous, but well-regulated, controlled and supported leaders, and not by a loose bunch of individualist entrepreneurs. The third severe problem is that in the studied cases even the well-qualified leaders make the mistake of excluding themselves of the change and express their expectations only for the managers. They tend to follow the same behaviour pattern in most cases.

Figure 16: Detecting Conflicts
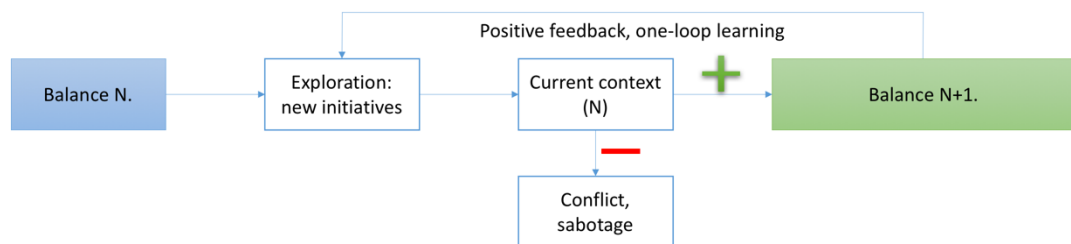
As in the logic of the process the 16th Figure shows, these fault lines punch great holes on the social network of the organisation, and damage the culture. The relation between the leadership and the middle management grows acrimonious, the organisational performance decreasing, the pains of growing start to appear, which appears in low task-focus, losing the common identity and interpretation, faulty operation, overwork and fire-fighting and endless meetings. In this environment not even the controlling tools work [Flamholtz & Hua, 2002]. During my personal observations, I could see in the machine manufacturer, manufacturing and trading and the logistics companies, that the task avoidance stemming from the conflicts between the different management levels will drive the members of the organisations to evade the underdeveloped tools of control. The best examples for this are the imperfect administration, sabotaging and prolonging the leadership meetings and the refusal of responsibility. It is a further interesting phenomenon, that leaders usually

expect the basic organization to develop the framework of more regulated operation, for which they have neither qualification, nor the better interest and values. This is why, after many failures, founders decide to hire new management, which will only set off the situation. In addition, not even the IT systems, developed partly because of the trend and partly because of the external supporting environment, will improve the circumstances (e.g. in the case of the agricultural company), as they become common enemies, even more forging the opposite coalition together. As shown in Figure 17, between the leadership (including the surrounding new members) and the original members, irreconcilable discords arise which cause serious casualties in the life of almost every company; it is enough to think only to the cases of the agricultural or the manufacturing companies.

Figure 17: Differences and Conflicts Between the Isolating Management and the Organisational Reality
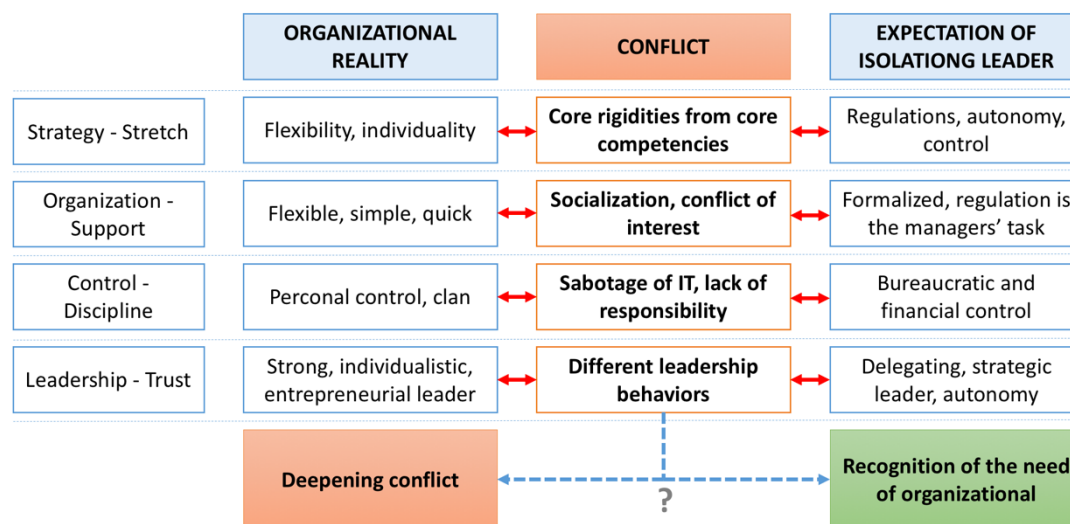
According to March [1991] and Burgelman [1991] organisations must sacrifice short-term stability on the altar of long-term development, even if the proximity of the effect of future developments is hardly perceptible in the present. In the cases, the forming of learning and adaptation paradox is definitely observable, and that the companies put too much resource in incremental upgrades, safety and stability, though it increased the risk of future obsolescence [Chesbrough & Rosenbloom, 2002; Holmqvist, 2004; Leonard-Barton, 1992]. The key question I will discuss in the next subsection is, if the management is able to identify the real problem, the underdevelopment of context by the internal and external impressions. Namely, the organisational inertia coming from self-driven learning is strongly recognizable in all

cases, so are the present-focused attention and the underestimation of future changes [Hannan & Freeman, 1977, 1984; Levinthal & March, 1993]. Since the central element of the contex is the leader himself, it is the essential condition of the development for him to also step on the path of change. If he fails to do so, the company will be stuck and fall back to a lower performace level [Penrose, 1959], or will be compelled to remain in a competency- and exploitation-trap [Ahuja & Lampert, 2001; Fauchart & Keilbach, 2009; Herriott, Levinthal, & March, 1985; Levitt & March, 1988; Radner 1975].

Summarizing the results, at a critical point, management becomes isolated and deep conflicts arise in the organisation. On one hand, the founder has a hard time about the performance of employees, despite that his people are the same and the surrounding organisational context is neither severely developed. As the founder is overtasked, he will block out new expectations for leaders under firm management, i.e. they shall be autonomous, proactive leaders, but at least individual task-performers. There is no other choice since the former leader cannot be everywhere anymore; his old cohesive role dwindles away. By this the task is considered done, but the organisation facing a new expectation-system did not socialize in this context within the former stable and successful framework, so conflict will arise between leader and organisation, which is worsened by the unchanged behaviour and example of the founder. The conflicts of value and interest will form great cultural gaps that will appear in the sabotage of performance and control tools. As we can see on Figure 18, if the leader recognizes the need for development in himself and the organisation, than he might be able to break out from this trap. If not, then the organisation will conserve, and the position of leadership might weaken because of the steady conflict between expectations and reality.

5. 2. 3. The Development of Context, or the Lack of Development

The two research objectives of my thesis are the exploration of the development process of ambidexterity, and giving a more detailed definition of the management tools of organisational context than the preceding. In my interpretation, the forming of context is a step of the development process, therefore I discuss it in this part of the thesis. In the previous subsections, I have presented the early context of the strongly growing, young organisations and the traps of internal and external reinforcement. The most important point of the development process is whether the

organisation is able to revise its operational framework, to see if the former abilities and routines might to damage in the future.

Figure 18: The Development of Context or the Lack of Development
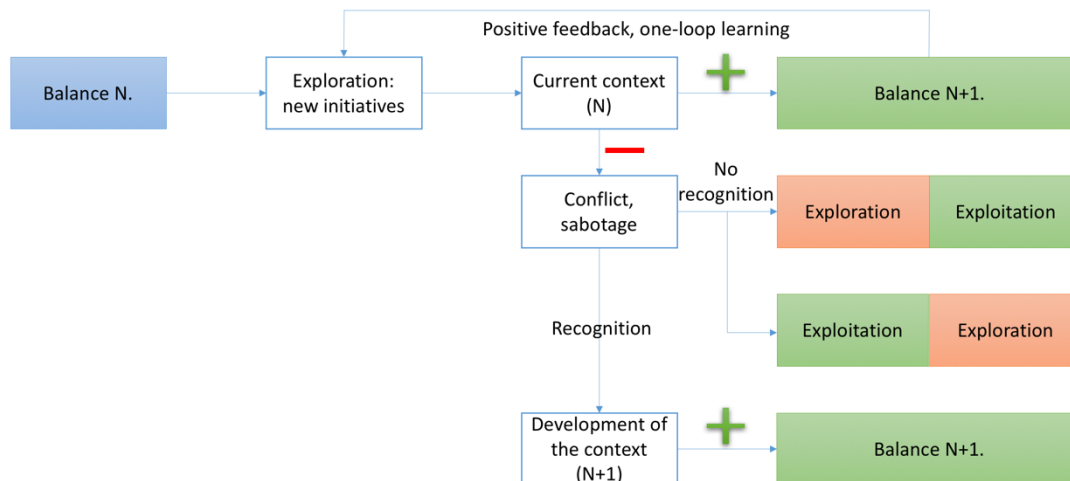
In the initial organisational context, the organisation and the leader make an integrated whole, where the behaviour of organisation, the strategy and main strength are as the leaders'. The personal management based operation creates conflicts. The question is whether the need of change is recognized. As it appears on Figure 18. And is legible in the case studies, this is the turning point in the lives of the analyzed companies, where they take different courses. The engine builder and manufacturing and trading companies suffer damages, while the other three steps on the road of organizational development.

The two less successful stories end similarly, yet there is an important difference between them, which emphasizes the unity of the focus of leader and organization. The engine building company has an engineer leadership, the management knowledge is worthless, and is regarded as a despised ability on the level of organizational culture also. They real not be able to realize the development of the new product by the professional knowledge connected to exploitation, even if it seems to be an attractive and colorful thoughts in comparison to the chiseling of the operation. The new initiative, the exploration project will decay and it has several reasons which I will fully explain in the next subsections. Because of the faulty depreciation and the weak attention to organization and management the company

will fall between two stools: the new product stays at the prototype level, and developments effectiveness and operation are late.

The manufacturing and trading company has outstanding trading and product developing competencies, like it's top managers. The followed scale of values and behavior also show that flexibility and the fulfillment of customers needs' are the main strengths of the company, which leads to the dominoes of the commercial and development departments where the original employees of the firm are in majority. Too much change and product versions are ruining the work of the manufactured department is there is hardly effective manufacturing without standardized circumstances. Although the leader continuously emphasizes that the future is in the production capacity and ability, he will not solve the strategic problem and follows different values and interests himself. This is reinforcement for the old team which sharpens the conflict between the different groups of interest. Dynamics point in one direction: in the way shows make the existing exploiting and manufacturing activities impossible, and they cannot exit this trap for years.

Whereas our other three companies are devoted to organizational development based on external imposes and their own professional knowledge and experience, and after vicissitudinuous years they will create a balanced state on a highly developed level. The most important advancement is that the leader and the organization separates, the founder can withdraw from the operational functions. The passing of autonomy, the standardization will not create rigidity. The energies of the leader will be freed, he has the time and power for the new opportunities but he will not create violence between exploration and exploitation by his personal leadership and handling the everyday conflicts anymore. He becomes a strategic leader, creates understanding and unity, harmonizes the individual and organizational interests by precise planning and controlling tools, and fills up the ranges of tasks of his colleagues by exploration and exploitation activities through these systems. In the next subsections, I will analyze the management and leadership tools of the context in detail in order to be able to give a more precise and deeper definition to organizational context and to support the literature of the professional field to the understanding of the development of ambidexterity. In each subsections, I will interpret the features of rightly and wrongly operating cases according to the features and management tools already identified by the professional literature [Bushe & Shani, 1991; Goldstein,

1985; Güttel & Konlechner, 2009; McDonough & Leifer, 1983], and complete them with my own results.

5.2.3.1 *Flexibility - Strategy and Planning*

The setting of objectives [Dobák & Antal, 2010] will create flexibility [Ghoshal & Bartlett, 1994] and ambition in the members of the organization for the joint efforts which will elevate their perceived usefulness and role to a higher level and will create collective organizational identity. This high individual motivation, the feeling of success is a basic condition for the feeling of appreciation, but it will only form if the challenging objectives will be coupled with stable structure and operation, since organizational anomalies will make the performance of challenging tasks impossible. But ambition in itself is insufficient. The common interpretation and the leaders modelling are indispensable, and for its formation and demonstration the conscious and unified work of the leadership is necessary [Ghoshal & Bartlett, 1994]. Although not in a wide range, but professional literature have examined the main tools of the flexibility and strategic parts of the organizational context earlier. According to Güttel and Konlechner [2009], an organization with contextual ambidexterity may and should be governed by creating a strategic platform and understanding, operationalized business models, punctual planning and objectivity methodologies, financial planning, resource distribution, MbO and developed reporting systems.

Figure 19: Strategic Elements of the Context

Dimension of ambidexterity [Gibson & Birkinshaw, 2004]	Context element and management function [Dobák & Antal, 2010; Ghoshal & Bartlett, 1994]	Management tools identified by the literature [Bushe & Shani, 1991; Goldstein, 1985; Güttel & Konlechner, 2009; McDonough & Leifer, 1983]	Hindering management tools identified by the research	Supporting management tools identified by the research
Performance management	Stretch - Strategy	• Strategic platform • Target setting, annual planning • Resource allocation • MbO • Reporting system	• Top-down strategic planning dominated by the leader • Inconsistent targets • Lack of common understanding • Strategic goals that create opportunity for a department to gain excessive power • Wrong resource allocation	• Integrated strategic planning • Common understanding • Strategy defines operative goals, KPIs and explorative projects • Resource allocation creates importance • MbO and reward systems basd on planning • Leader creates unity • Change management

As it shows on Figure 19, in the first two companies which did not care about organizational development the leaders rule the process of setting objectives. It is undoubtedly an advantageous pattern in the early life stage which fits in the picture of an autocratic organization. There is not necessarily understanding, rather following, but the state is definitely stable. But when the bond breaks between the employees and the leader, the strategic stability will overturn and either exploration or exploitation will begin to reign on the other. The one will be mostly defined by the behavior and choice of the leader. Distorted perceptions and the lack of discourse we lead to faulty strategic decisions, and wrong depreciation would widen the distance of culture and power. It follows from this that objective congruency will not be realized, the values and interests of the individuals and the organization will tear apart, and this destroys motivation, and makes the joint interpretation of future impossible. The lack of coordination, which comes from the defectiveness of objective setting, can only be supplemented with the enhancement of personal leadership, that will throw the leaders in a devastated situation.

On the other hand, the successful companies apply precise strategic planning of sophisticated methodology based on a comprehensive consultation generated by the leader. This is not necessarily a formalized and theoretically chiselled process. The point is that the organization is not coordinated by a firmly stated and slavishly followed vision which was formed in the head of the leader, but the vision creates unity. Strategy making is followed by thorough objective setting and detailed planning which will mark out the indicators of the main spheres of activity. The divergence of the individual and organizational goals this counterweighted by managemend by agreed objectives (MbO), which strongly builds on rewarding and benchmarking systems. This contextual group however is not just an entirety of mechanistic management systems. The whole is pervaded by the conflict solving and safety creating role of leadership, but the leader becomes an upholder from a creator. His mission is to form and keep the joint interpretation of strategy and not to execute it unconditionally. He keeps well in hand the differences between exploration and exportation activities in the certain positions by his personal balance making and interpretative presence, depreciation and rewarding system.

 At all successful companies the followed strategy was uniformly interpreted by the management. It doesn't mean that the support of certain goals was homogenous,

since departments of exploitation focus are less interested in exploration activities, and it's true inversely. Apart from these strategic goals have created unity and strict interpretational frames. At the three successful companies, there were not any cases of extreme misuse, like at the manufacturing and trading company. At the agricultural company, new middle-management negotiated the short and long term goals jointly, which were supported by professional controlling, besides they have put lots of energy in the identification and development of the real strengths of the company. The training of the later entering leaders was also traditionally important task in which the learning of the company's vision, strengths, planning and controlling system had a prominent role. All important decisions were made by the management team consisting of the founder members, which went through serious development.

It's important to underline that the strategic platform and understanding is not nearly meaning that the decisions were always received warmly. The IT company also made more conflictual decisions, and at the agricultural company there were serious discords between the operative management, R+D and commerce in the matters of product- and market development. But the unity of the leadership persisted, and they chose the right direction, and conflicts were resolved by firm, consistent behavior of the leader, and the MBO system based on strategic goals. The agricultural- and the IT company are operating very precise annual framework planning system presently. The agricultural company have developed and standardized for two years it's fully IT supported annual planning solution. This integrated system put up very detailed performance expectations for the subordinates and ensured a very specified control in the same time. The accessibility of data and the reporting system have created transparency and hereby higher consciousness. This applies for the IT company also, but there, because of the less organizational functions, the planning "only" consisted of the resource planning, objective setting and forming development concepts for the project manager team. Execution was followed by a strict control and a subsequent rewarding, only the ideal premium system over the project manager position were chiseled for two months.

Precise planning was completed by the determination of the projects of the exploration tasks. It was the same in time and space as the annual framework planning since there was a close connection between the exploration and exploitation

activities in every case, and the whole was kept in one interpretational frame by the strategy. The project was usually worked out by one leader (operative executive) and the manager of the concerned field, and the execution of the professionally detailed plans, and the performing tasks were supervised by the system of management meetings. The already present it commercial development projects of the agricultural company are a good example, where the subjects were not nearly motivated, but the tension of the salesman was relieved by the motivation, the consistency of the leader, and the common interpretation of strategy, as a strict coordinative tool.

This framework set up stable boundaries, which will not hinder but guarantee the unity of management and organization, and prevent that the interests of the individuals differ from the objectives of the company too much. In the same time they free the top manager from that unbearable burden, that he has to decide in every matter, he has to solve every conflict of interest, because only his presence would create unity. Depreciation through planning, controlling and rewarding mechanisms is pervaded by the strategic objectives, and exploitation and exploration goals can be realized thanks to the developed context.

In summary during the organizational development companies must endeavor to form an integrated and cooperating leadership. Leaders must become visionary and involving from individualistic, autocratic and dictating. This is a huge transformation, and the road to success is very rough, as it is showed by the example of the agricultural company. Until now the professional literature turned little attention to the role of change management which is of utmost importance during the process of organizational development and after that in the forming a balanced state. The evaluation of positions and coalitions forming alongside the division of powers and interests is a very important task. Similarly to the earlier recommendations of the professional literature [e.g.. Güttel & Konlechner, 2009], to come on strategic platform, the detailed planning and objective setting, the subsequent reporting, depreciation and rewarding our definitive mechanic elements. However, the point is that the leader must represent the objectives consequently and by MBO and his own example he must handle the natural resistance of the individuals. These changes will not make the corporation rigid, and contrary, they make it flexible, because the execution of strategy will not depend only on the attention, capacity and presence of the top manager. He will unburden himself by management systems, which will

dismantle the exploration and exploitation tasks and expectations in all positions, and will motivate the subordinates for to fulfil them.

5.2.3.2 *Discipline – Control*

In the definition of Ghoshal and Bartlett [1994] discipline is the entirety of clear standards, behavioral and performance expectations, open and fast feedback systems, and steadily apply sanctions. The discipline and control which creates congruency by a quick and direct feedbacks, that is urging the organization to reach the collective strategic objectives [Anthony & Govindarajan, 2009]. Thus, the topics of strategy, planning, motivation and control cannot be divided from each other. The comparison of the data and standards is followed by consequences and intervention which could stimulate the change of behavior [pl. Herzberg, 1968; Skinner, 1938]. For setting and measuring objectives presents we have more well known, and widely applied harmonic strategic measurement systems [for example the balanced scorecard [Kaplan & Norton, 1996].

Güttel és Konlechner [2009] also stress that operationalized business models, same objectives and measurement systems are important elements of the contextual ambidexterity, as these systems decrease the role of the leader in conflictuous ruling situations, because they decrease the differences in objectives of the strategy and the individual by the behavior changing effect of the measurement and motivation.

Professional literature recommends the application of developed management systems based on stable structures, balanced measurement systems, monitoring and corporate governance systems in order to the organizations be able to develop ambidexterity. According to my results it's distinctly visible (figure 20), that the personal decision-making and control keeps the IT systems on an undeveloped level for which planning is unreliable and self-existent, and the assertion of consequences stay limited, as there is always a possibility for the folding of facts. Whereas developed companies identify measurement systems in every position by strong IT support coming from strategy and high-quality planning system. The realization of measurable goals [financial, customer and operational objectives] are measured by monitoring systems within the corporate governance framework, while in the case of learning and developing initiatives the project control and supervision of the execution of tasks will become important, where IT will also have a key role. The

systematic approach will not create rigidity but brings objectivity and independence. So, the performance of exploitation activities and the realization of exploration projects become measurable regardless to the capacity of the leader.

Figure 21: Control Elements of the Context

Dimension of ambidexterity [Gibson & Birkinshaw, 2004]	Context element and management function [Dobák & Antal, 2010; Ghoshal & Bartlett, 1994]	Management tools identified by the literature [Bushe & Shani, 1991; Goldstein, 1985; Güttel & Konlechner, 2009; McDonough & Leifer, 1983]	Hindering management tools identified by the research	Supporting management tools identified by the research
Performance management	Discipline - Control	• Balanced Scorecard • Monitoring system • Corporate Governance	• Personal control • Inaccurate, self-serving planning • Insufficient data • KPIs don't explain performance • Limited consequences	• Developed IT-systems • Developed KPIs • Thorough monitoring-system • Developed corporate governance-system • KPIs and reward systems are in line with strategy

According to the results of my research the IT and governance support systems of companies building upon personal control stays underdeveloped. Keeping the status quo is the interest of the members of the organization, which mostly appears in the oppression of the subordinate departments placed under dominant departments by a faulty strategy. The suffering party does not have the power or opportunity to change or develop as the ruling coalition oppresses and makes initiatives impossible. It's enough only to recall the product development projects of the manufacturing and trading company, which were ineffective because of the unchanged behavior of the commercial leader empowered by the management. It's perceptible by the machine building company and is supported by the agricultural and logistical companies, that it was a serious cultural problem during the development of context that the company earlier have positioned itself precisely oppose it to multinationalizing, overregulation, over administration and IT developments, so the appearance of these created natural resistance. Experiences support the results of the professional literature according to which the insufficient context will result in internal rivalry between the leaders and the employees which will damage ambidexterity [De Clerq et al., 2014; Gulati & Puranam, 2009, Mirow et al., 2015].

This emphasizes the role of change management once more. If the organization is unable to break out from the early, simple organizational frames and to settle the

aversion to organization and precision, it will not be able to move. These is not only a matter of determination and investment. The arrival of the IT manager into the agricultural company was a shocking experience, as the news of the introduction of a developed ERP system incarnates everything, what was denied on to them by the organization, and on which it has built its culture: the picture of the informal, quick, intuitive and unregulated organization. But the underdevelopment IT will result in perfect data, which will even more push the organization into direction of intuitive decision-making, strengthening this pattern which is very damaging by a greater size. Into enhancing spiral of intuition, the inclusive effects and cognitive schemes of the leader will get even more significance, he will become more controllable and more inclined to make definitive decisions as his uncertainty grows. This leads to self-existent and unpunctual planning. The former planning system of the agricultural company could fit on an A4 paper and only concerned the main points wire the manufacturing and trading company creates complex plans on the surface, but actually it is trying to translate commercial projections to a financial plan, from which the production plan is derived. As because of the impulsivity and flexibility, the former sales construction does not explain the current one, the real production is different from the original plan already after two or three months, so without corrections, production and procurement also work from short-term information. The time of transport is mostly five or six times more than this, so huge overstocking and accidental shortage are every day incidents. Evidently planning is self-existent. It's made to exist, not to be used.

This gives huge space for the identification of defective performance measurements, which supports the well-known trap situation once again. The dominant coalition defines its own expectations in easily accessible or hardly verifiable indicators, which only increases its power in the organization because of the great confidence of success. In case of a problem, consequences are hardly enforceable, as the data ineffectively explain the real economic events, so there is another blamable almost every time, and hereby an evasion of responsibility. This phenomenon will have an important role in the matters of management.

Companies which went through organizational development have put vast amount of energy into the development of their IT background. The agricultural company applied corporate management, resource distribution, production management, Agro-

production, planning, control, and business intelligence systems. The logistics company applies task- and document management, process support, shipping and logistics software, while the IT company uses project management, internal communications and CRM systems. However, the development of IT is never independent from the regulation of organizational structures, positions and processes, the application can only be successful in concord with them: the application of ERP was hindered for years by the unclear structural frames at the agricultural company, while they were not able to make use of the already purchased software's at the logistical company without the appropriate process regulations.

The objective of the investments is the more punctual planning and control. In an earlier subsection, I have already presented what sophisticated planning system is applied at the analyzed companies, but these worthless without the measurement of the dismantled objectives and the supply of data for employees. The system of management meetings which is based on automatic reporting (also known as a corporate management, i.e. corporate governance system) creates stability and structure, and decreases the disturbing electronic and miscellaneous communication within the organization. It opens the door for the management to make immediate decisions based on grounded in formations, and to handle the conflicts of interest personally. Both the agricultural and the IT company have elaborated a detailed meeting structure, where it was strict rule, the only the data coming from the IT system were accepted. In the first 1-2 years it has generated some antipathy, but soon the organization learned to value the effectiveness of the approach. On these channels valuable information flows between commerce, production, and R+D, The function-egoism decreased, and common interpretation have widened, as the team forged together.

Of course, the guidance of self-interest had also a big role in the control and discipline. A comprehensive measurement and hereby right evaluation could be built on measurement systems which consisted of comprehensive data and strategic objectives. All the successful companies have included into their annual routine the integrated system of revision of strategy, annual budget planning, individual indicators and rewarding principles. During the reduction of the individuals' dilemmas between exploration and exploitation, the material and moral consequences are significant, but unexclusive elements.

To summarize the outcomes of this section, I can say that the governance system built on personal control, and the management-denying culture stalls the development of IT which will block the application of the advanced and real planning-, measurement- and rewarding systems. This will result in the reinforcement of the already damaging status quo. Whereas the companies which are over the organizational development will define a relevant measurement system with strong IT background, by which they will be able to dismantle the exploration and exploitation objectives in each positions. The procuring natural conflicts within these are kept in hand by the personal presence on the systematic management meetings, the common interpretation of strategy and the personal interest. Personal supervision will be exchanged for monitoring and corporate governance which has a beneficial effect on the culture and the reduction of distance of power.

5.2.3.3 *Support – Organization and Management*

In the definition of Ghoshal and Bartlett [1994] support ensures a wider access for the individuals to the resources and vests them with autonomy in order to behave proactively. Dobák and Antal [2010] describe management as a leadership function, which is such a conscious coordination of material and human resources which helps to reach the individual and organizational objectives. Its tools are clear structures and procedures and their continuous alignment by the organization of work, that is by creating clear, explicit, adjusted and separate positions. According to the professional literature the clarification of the range of authority and responsibility, and the forming of processes and routines are essential for stability and exploiting. And for the computer and exploration advanced project management skills and well-controlled but flexible substructures are needed [Güttel & Konlechner, 2009]. The approach of parallel structures also underlines that two contexts must be created for the individuals, between which they may choose. The first is a formal primary structure which ensures stability and expects effectiveness during the execution of exploitation activities while the second structure is an anti-anti-of such coordinating mechanisms (project teams, networks), which are made for performing the non-routine and innovative tasks [Bushe & Shani, 1991; Goldstein, 1985; McDonough & Leifer, 1983].

Figure 21: Management Elements of Context

Dimension of ambidexterity [Gibson & Birkinshaw, 2004]	Context element and management function [Dobák & Antal, 2010; Ghoshal & Bartlett, 1994]	Management tools identified by the literature [Bushe & Shani, 1991; Goldstein, 1985; Güttel & Konlechner, 2009; McDonough & Leifer, 1983]	Hindering management tools identified by the research	Supporting management tools identified by the research
Social support	Support - Organization	• Clear responsibilities and authorities • Processes, standards and routines • Projects • Dual or substructures	• The structure is inadequate to strategy and size • Lack of rules, standards, processes and structures • Lack of project management	• Defined structures, positions and processes • Thorough regulations and rules • Developed project management skills • Exploration in form of projects or dual-/substructures • Transparency

As it can be seen on Figure 21, in those organizations which are unable to the development of context, a typical example of crises appear. The acknowledged and followed strategies are parting from each other, the organization is unable to handle size and complexity, structure cannot follow strategy, whereupon the firm suffers performance break. Distances of interests and values will grow, projects will be sabotaged, project management skills will not even develop, because management knowledge will be culturally despised amongst the dominant coalition. This environment is not interested in creating regulations and standards. All the stable structures would only limit flexibility and swiftness which became the fundament of culture and organizational identity.

Whereas companies of developed context have put serious energy into the forming of well-defined, precise structures and positions during their transformation process. The reason for this is that if the basic exploitation processes happen autonomously within organizational and IT scopes, a lot of organizational and personal capacity can be spared, while seemingly the flexibility of expiration is diminished. Rigidity caused by the development of mechanistic structures are supplemented by secondary structures in the analyzed companies. Although the portfolio of the annual projects have been formed during a strict and well-regulated process, the individuals had great freedom in the substructures. Management only participated in these tasks in a consultative and controlling function (by the corporate governance system). Also the control and the rewarding rather focused on the completion of tasks then on performance indicators, as the learning and development initiatives will only be productive in the future, but from a strategic point of view the quality of the performed tasks is evaluable.

The most important condition of ambidexterity, the information flow between exploration and exploitation, can be caught best in the area of management. To the fundament operation in the both the agricultural and IT company, that innovations dry from the strategy were given to managers in a looser regulation and expectation system, who, because of this, had to be in the possession of the professionally sufficient project management skill. The freedom of performing the task does not mean, that the process is not controlled and supported. All initiatives were coordinated by task- and the project management softwares and executive reports, and it also had an import control in the rewarding system. As soon as the products of R+D were tested on the market, the experimental products got into the very particularly regulated, standardized and documented exploitation processes, but these routines also have also changed by the new products and experiences. As an example, it's worth to highlight the new product group of the agricultural company by which they become market leaders. They have experimenting for one year during the marketing and product development, and after that they integrated it into the production structure, which altered the production and planning routines, and later urged the company for new investments.

In summary, structural conditions which are insufficient for strategy and size cannot work efficiently because of the lack of regulations and standards. In the developed context, one must emphasize the laying of stable, well-defined structural fundaments, on which exploration will initiatives could be executed as elements of the secondary structure. These, however, are not a whole of self-managing projects, as strategic planning and resource distribution strictly define which project could have a green light and which could not. The execution of expiration initiatives is also strictly controlled and supported, but rather by clan, than bureaucratic elements.

5.2.3.4   Trust – Leadership and Culture

Ghoshal and Bartlett [1994] have interpreted trust as justice perceived in decision-making processes, an opportunity for deeper involvement to tasks and decisions and subsequently the general development of personal competences, with the leader in the center.   Personal leadership is the entirety of those interactions between the leader and the subordinate which aims to integrate colleagues into the decision-

making systems, and in the course of which leaders must endeavor to develop the quality and quantity of relations within the management [Dobák & Antal, 2010]. Management must choose the best leadership style fitting to the situation [Hersey és Blanchard, 1977], and has to fulfill leadership and management functions [Mintzberg, 1979]. From the letter, the information-distributive and conflict-manager roles are the most important. Management plays a definitive part in the organizational changes and the reaching of ambidexterity [Romanelli & Tushman, 1994; Mom et al., 2007; O'Reilly & Tushman, 2007 & 2011; Carmel & Halevi, 2009]. If the top manager team does not have the needed cognitive schemes and knowledge, they won't be able to handle the challenges of ambidexterity [Brion, Mothe and Sabatier, 2010; Carmeli & Halevi, 2009; Mom et al., 2007; O'Reilly & Tushman, 2005, 2007]. Professional literature discusses in detail, that only the qualified management with general leadership skills is able to form and maintain ambidexterity. It has a broad toolbar, the most important are vision, values, controlling and rewarding systems, common identity, communication, aligned objectives, resource allocation and personal leadership [Baden-Fuller and Van den Bosch, 2001; Birkinshaw & Gibson, 2004; Floyd and Lane, 2000; Ghoshal & Bartlett, 1994; O'Reilly and Tushman, 2007 & 2011; Smith and Tushman, 2005; Tushman and O'Reilly, 1997]. Güttel and Konlechner [2009] also highlights the rewarding system based on aligned objectives, the reinforcement of culture, the representation of values, the interpretation and creation of a shared reality and the formation social and group norms, which have two create a performance – oriented organization in which the resolution of conflicts is the task of the leader.

In the first two companies of my research the personal leadership and professional power have dominated, which led to the development of the earlier presented conflicts, when the needs and expectations of the leader were changed because of the growth. Because of the contradictions of strategy and resource allocation the unity of management ends, correlations form, which will lead to cultural discords and further organizational anomalies. Whereas at the successful companies the leader will move from the almighty manager and leader positions and becomes an integrating leader, whose Job is to represent the strategy, create and maintain the common interpretation, which is obtained by involving the others into the decision-making. He has a definitive role in the forming of strategy in the future too, but it is not only

his task and the organization is neither a subservient performer. Leaders are qualified and devoted to their own development.

Figure 22: Leadership Elements of Context

Dimension of ambidexterity [Gibson & Birkinshaw, 2004]	Context element and management function [Dobák & Antal, 2010; Ghoshal & Bartlett, 1994]	Management tools identified by the literature [Bushe & Shani, 1991; Goldstein, 1985; Güttel & Konlechner, 2009; McDonough & Leifer, 1983]	Hindering management tools identified by the research	Supporting management tools identified by the research
Social support	Trust - Leadership	• Goal congruence and rewards • Culture, values • Common understanding • Norms • Performance orientation • Conflict management	• Excessive personal leadership • Excessive power of expertise • Management is not unified • Cultural contraries • Management skills are underrated	• Integrating leader and TMT, involvement in decision-making • Strategic unity • Relationship and learning between exploration and exploitation • Educated management • Performance management through MbO and control • Common culture on organizational or (at least) on department level

As I presented in the previous section the key player of the changing process is the situational awareness of the leader. As he is the definitive actor in the previous organizational context, whose behavior and scale of values is the same as the organization's, therefore the problems in this function are very similar to the organizational anomalies of the companies' which are unable to develop (which can be seen on Figure 22). Competencies and values of a context, which is successful to a point but unable to operate without personal leadership, are built on the denial of organization, administration and prudence. When the leader gets to the natural need of wanting to unburden himself, expects the appearance of precisely these from his employees, who despise standards and transparency and were reinforced in this state for years. The condemnation of management and IT, and the appraisal of professional power and seniority is a natural phenomenon which creates personal and cultural conflicts that will destroy management, thus strengthening the isolation and loneliness of the founder.

It's an important difference that two of the three leaders who realized the necessity of development had management education. The agricultural and IT companies learned much from their buyers and were affected by strong external impressions. But this will not decrease their merit. In opposition to the leaders of the first two companies,

they put loads of energy into their own and their fellow leaders' development, and acknowledged that if the organization needs to change them it must be started with themselves. By the effects of the earlier present did structural and control developments they were able to separate from the operative management which made place for the talented (and mostly new) middle – managers, which had significant motivational power. Their role have transformed, they rather have participated in the bigger decisions. Their presence lessened, but they role grew because they became real leaders from operative decision-makers, who are cooperatively forming the vision therefore creating security and keeps the organization in line consequently. The most relevant occurrence of the latter is the managing of clash of interests between departments. Both the agricultural and IT company has put huge energy into the forging of community and the decreasing of cultural distances.

In summary, my conclusions reinforce the already exposed results of the professional literature, according to which top management defines organizational context and the development and maintaining of ambidexterity to an extraordinary degree. Furthermore, it is apparent, that the organization could get into severe trap-situations by the leader's unsuitability for further development and the misinterpretation of the situation. At the same time, it highlights, that the development of organization is not independent from the leader, as he is the most important influencing factor of the context. In addition, according to the results important to underline, that it is not enough to withdraw from operative functioning, as it is considered to be a solution by many of today's leaders. One must carry out strategic, organizational and controlling developments to his own improvement. If he can go to the end of this long journey, he might have a chance, that not everything will depend on him in the company - this is a very important question in the matter of generation change nowadays.

5.2.3.5 *Summary of the Development of Context*

In the current subsection, I would like to summarize the elements of context necessary for the development of ambidexterity. This is an important result of my thesis, as one of my objectives was to contribute to the deeper definition of context by identifying management tools applied within ambidextrous organizations. My paper presents successful and unsuccessful examples also, so I drew conclusions

from both good and bad cases, which can as well enrich professional literature. Beyond that I matched my observations to the former results of the literature, and highlighted my own conclusions in every area. According to my opinion the results of the paper contribute to the matter of understanding how young organizations can overcome course-dependency [Greiner, 1972; Simsek et al., 2009; Tushman & Anderson, 1986].

It's an important result that the leader is the alpha and omega of the road to organizational ambidexterity. The long period starts with his awareness of the situation, which is accompanied by personal improvement. If he's able to carry out the necessary strategic, organizational and control interventions, then he's changing role will be the frame which will keep together and coordinate the organization and which will balance exploration and exploitation. This role is a significant but the operation of the company does not depend exclusively on this anymore - this is a huge difference. As it shows on Figure 23, his task is to communicate strategy, involve into decisions, create common interpretation, and maintain performance focus, preserving values and objectives and the resolution of natural conflicts. If the leader cannot exit from single loop learning, he ever stuck in the previous context on account of which the exploration or exploitation activity will be damaged. Because in this case competencies of leader and organization will not divide from each other, the self-supporting nature of learning will even be stronger, and the fundamental strengths become rigidities [Leonard-Barton, 1992, 1995].

Figure 23: Summary and Relations of the Elements of Organizational Context
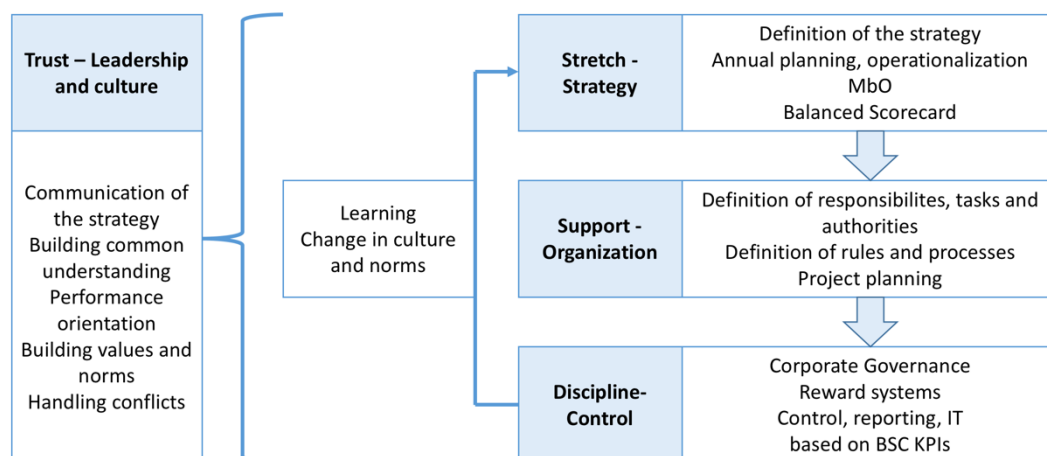
My research methodology focus and question does not allow to draw and explicit conclusion regarding what factors support the leader to be aware of the situation. My results indicate that management education, former experiences, external impressions and the cessation of internal feedback could have a role, but to this question is worth to be analyzed in focus. My thesis concentrates on management tools and the definition of context, not on the individual behavior, knowledge or cognitive schemes of the leaders.

However, it is obvious that the key is a leadership and this raises the awareness of the practice, that it is important to form a developed structure even in the early stage despite that the personal leadership and the simple organizational tools seem sufficient. Our first two cases could have avoided the traps if the underdevelopment of the organization wouldn't have been an identity-forming strength. The establishment of common interpretation and real acceptance, and the consultative definition of strategic directions are indispensable. The planning and project definition systems, the dismantling of objectives can exclusively come from one strategy. This creates the fundament for the leadership by agreed objectives, which endeavors to create objective congruency on the level of the individual, between subordinate and organization. The resolution of personal dilemmas between tasks is a basic condition of the contextual ambidexterity. The exploration and exploitation objectives connected to each position are dismantled in this planning system, for which the measurement and rewarding system will attach.

Challenging and jointly accepted objectives worth nothing without calm and stable organizational circumstances. Confirming the results of the literature, standardization and laying the structural grounds and positions are inevitable. But this won't make the organization rigid, because the project portfolio derived from strategy and the secondary structures bring flexibility and freedom into the life the corporation. However, these are also parts of the sophisticated reporting and rewarding system, which are kept together by corporate governance tools. It's important to underline the role of change management and IT, which were slightly discussed in professional literature until now. If management is able to operate the system consequently, the operational norms will become parts of the everyday routines, therefore the leader could even more release is operative tasks and would continue to play he's a really significant strategic, in formation distributing and conflict managing role.

5. 2. 4. Development of Ambidexterity, and the Double-Loop Learning

The greatest development through which companies go through is to recognize the boundaries of capacity of their organizations and to learn to transform that. The double loop learning takes shape, that is they are able to change the fundamentals of the system, or if it is not reasonable from a business point of view, then they can filter exploration opportunities to such an extent that it would not break open the organizational context. From the five analyzed companies to have reached a certain level of contextual ambidexterity because exploration and expiration activities can be found in great numbers in their scope of work, and they can keep them in balance (even if it is an extraordinary challenge), and knowledge transfer is also realized between the two kinds of learning methods. As Figure 24 shows, in this section I will present the forming of double loop learning and its importance, and furthermore I reveal summarize the balancing of exploration and exploitation by contextual elements, dwelling on the realization of learning between the two activities.

Figure 24: Possible Structural Separation
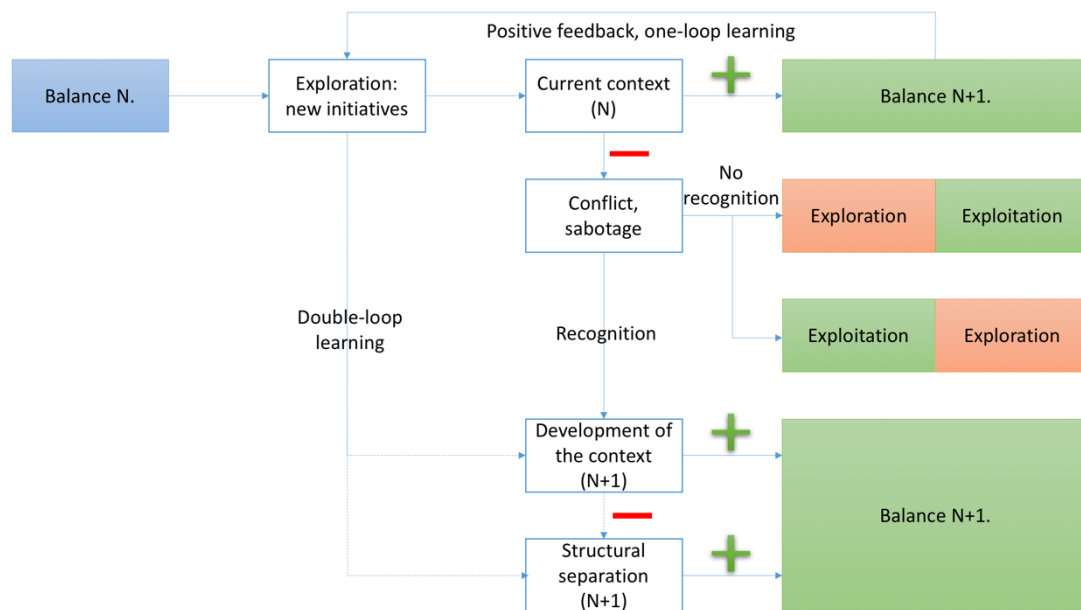
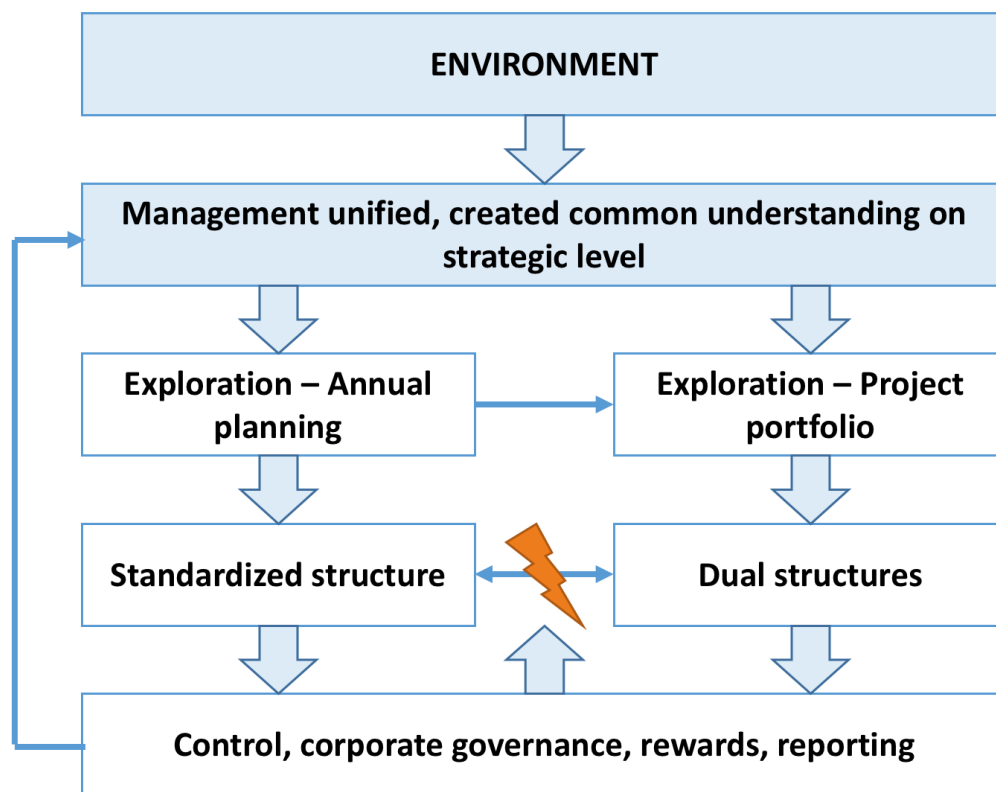If companies go to this development process of many years, which hides huge transformations, painful conflicts, losing people and friends, but also serious professional improvement, they will be able to lead the corporation on a significantly higher management level, and at the same time they will be able to change and improve that. They exit from the trap of personal leadership and learn that their

strategic decisions have very powerful effect on the organization. If they turn their entrepreneurial and development ideas loose on the company in the wrong balance, which can ruin 15-25 years of their work. These developments and maintenance of the organization will become a central topic – thet and agricultural company have been concerned in a campaign like manner with structures, rewarding and process regulation only two times in the last two years.

It was my important experience that leaders learn to value alternative costs and they don't see the organization as an entity of limitless capacity (it interferes with this perception that after 15 – 25 years they neither consider themselves of limitless capacity). The agricultural company let go numerous ideas and initiatives, because they would have caused greater damage than profit. As a company of great growth potential, they were concerned about the formation of the optimal portfolio. Both successes and failures have cobbled the road, but I personally participated to management meetings where they were able to let go a new product posing to their old selves, because they admitted that it would damage someone else. The logistical company openly stops the natural growth of the corporation, and when it loses a client, it is explicitly happy about it, because this way it will be easier to overcome organizational issues. In the meantime, it can decide to create a new basic organization, regardless of the tender it applies for, not to damage the existing one by the discovery. The IT company develops its software patiently for years, and although it gets a lot of market feedbacks, it will not dedicate more development resource to the new product because it knows, that it would damage its milk-cow software. In this gaze, it is an important addition that every significant change of business will have a new responsible, and if there isn't a fit one within the organization, it will instantly higher a new professional (for example the manager of international expansion got in this way). All three companies learn that exploration and exploitation are two extremely different forms of learning (this perception is not nearly trivial, as in the early context, in a small and quickly growing, creative company this dividing line is not so sharp). If they make an irresponsible strategic decision, then not only one activity would damage the other, but each one gets damaged.

Figure 25: The Connection of Exploration and Exploitation, and the Internal Knowledge Transfer

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┌─────────────────────────────────────────────────────────┐
│                    ENVIRONMENT                          │
└─────────────────────────────────────────────────────────┘
                          ↓
┌─────────────────────────────────────────────────────────┐
│   Management unified, created common understanding on    │
│                    strategic level                       │
└─────────────────────────────────────────────────────────┘
      ↓                                        ↓
┌──────────────────────┐          ┌──────────────────────┐
│ Exploration – Annual │ ───────→ │ Exploration – Project│
│      planning        │          │      portfolio        │
└──────────────────────┘          └──────────────────────┘
      ↓                                        ↓
┌──────────────────────┐    ⚡    ┌──────────────────────┐
│ Standardized structure│ ←───→   │   Dual structures    │
└──────────────────────┘          └──────────────────────┘
      ↓                     ↑                  ↓
┌─────────────────────────────────────────────────────────┐
│   Control, corporate governance, rewards, reporting      │
└─────────────────────────────────────────────────────────┘
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The double-loop learning relates to the realization of cross-activity learning and finding the balanced state. As the Figure 26 shows, the filter of the effects coming from the environment is still the leadership, but not exclusively the founding leader. At the agricultural and IT company, it is a defined trend to include leaders to strategic decisions and meetings with key buyers and suppliers. This task sharing, the decrease of power distance makes it possible for the leader to not to break away from the operative phenomena despite the fact that the majority of ordinary tasks are not carried out by him. By the method presented in a prior subsection the leadership creates strategy together, which is uniformly analysed and accepted, even is different actors are concerned differently in each goals.

Mostly the annual planning framework defines the goals related to exploitation, while the leadership creates project plans from the project portfolio approved by strategy, builds teams, and commences the professional work. During the annual planning process, they identify many developments, which means novelty and therefore are transferred into the projects. For example, they developed many IT solutions (among other things the inventory management in cooperation with a university), market promotion and other innovation in the agricultural company.

Project tasks are transferred into job descriptions also, but everybody is a member of the standard work organization. In other words, every employee working in exploration and exploitation are working in the same company physically and legally and have basic tasks and relating expectations and indicants. Although they participate secondary structural elements which compete with the short-term basic tasks. The clash is managed by the control, the reward schemes and the presence of the leader through corporate governance system. I personally experienced during my observations the dislike of the exploiting units (i.e. trading) towards the exploring units, which was deactivated by the conflict management role of the leader and the reward scheme, even if it created differences.

The exploring efforts reach their goal eventually, and become part of the exploitation. The product developed for years is well received; the organization develops the routines, integrates the knowledge and starts to exploit the value. By then the organization internalizes the importance of initiative, because gains profit in a short term. To summarize, the exploitation and the environment generates several exploring initiatives. Turning the thought, the exploration is the result of the learning during the exploitation, which comes through a strategic and organizational filter. The materialized exploring projects become part of the exploitation, amend and develop the strategies, goals, plans, index, and the processes. The everlasting clash between the two activities is managed by the strategy, culture, values, leadership, rewarding and control, but this steady state comes with constant tension.

5. 2. 5. Possible Structural Separation

In the 5.2 Section, I presented the main result of my thesis, the process of the development of (contextual) ambidexterity, which is summarized on the Figure 26. In the first step, the former, stable context provides adequate base for growing, the founding leader's domination defines the organization, who filters the incoming possibilities, and with his presence, balances the portfolio of the company and leads its organization. However, this configuration reaches its limits and the former strengths become rigid, and the successful management tools become restrictive conditions. In this situation, the question is whether the leader can realize the real problem, can create a context where next to his personal power developed management tools help him to manage the clash between exploitation and exploration. If not, one activity will be violated.

Figure 26: Development of Ambidexterity
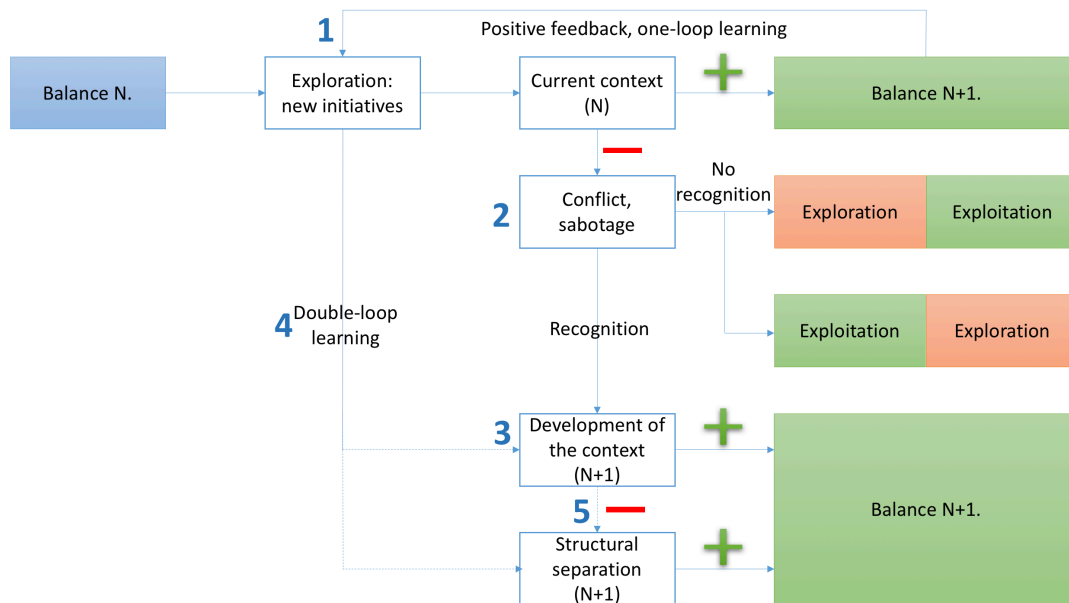
If the diagnosis if right and the leader can also change, the whole configuration modifies. Strategical, project-and annual frame planning materialize, they valorise the role of change management and informatics. They have to create a standardized, calm and calculable frame, in which the flexible, exploring initiatives appear as a secondary structure. These are intercepted the leadership's value transmitting, culture forming and conflict resolving role, and the control, the reporting and the rewarding schemes. The third step of the process is the second result of my thesis: my deductions help the literature to define the needed organizational context to reach ambidexterity more precisely, to recognise the implemented management tools and to understand their logical relations.

In the former subsection, I introduced the realization of the double-loop learning, the reaching of ambidexterity and the harmony of contextual elements creating stability. Along a shocking and complex changing and transfiguration process, the companies learn to alter their organization and become able to estimate its value and limits. This decreases the self-harming entrepreneurial inclination attributed to early stages – they seize only those strategic directions, which they can manage without sacrifices. Along this, there is continuous flow of knowledge between exploring and exploiting.

However, the process contains a potential fifth step. In my dissertation, I presumed that by their size at first the developing companies create contextual ambidextrous skills. My results strengthen this presupposition but my qualitative methodology

does not allow standardizing this deduction. Building on the theoretical background of my thesis, I did not define the ambidexterity as a competition between structural, contextual and leadership-based trends but I saw these constructions as complementary [Birkinshaw & Gibson, 2004; Gibson & Birkinshaw 2004; Kauppila, 2010; Raisch és Birkinshaw, 2008; Smith & Tushman, 2005; Tushman & O'Reilly, 1996]. I see the third result of my thesis as my contribution to this theoretical debate: all three companies moves, or moved from their initial state.

The contextual ambidexterity is held together by the strategy represented by the leader, the mutual interpretation of it, the culture and the values from the 'soft' side, and the regulated planning, goal-conformity, the structural and control systems from the 'hard' side. Although this configuration places less burden on the leader's shoulders, then the system built on the personal leadership, the coded conflicts are remain between individual and organizational unit levels. From the leader's view, the goal-conformity, the control and rewarding motivated the employees to carry out exploring and exploiting tasks, but conflicts have to be managed continuously, he has to convince the colleagues, he has to argue which is trivial to him, but the leader has no interest in it. It is perceptible that control helps but does not resolve everything. The structural approach counts as a costly solution because of parallel resources [Gibson & Birkinshaw, 2004], in the contextual ambidexterity the internal coordination costs and the pressure focused on the leader are higher. Although during structural separation the senior management has to balance between exploring and exploiting, but the tension arising in the employees does not burden the leader because their work in homogeneous units, guided by a goal-system. If the parallelism and the realized coordination costs reach the same level, the leaders can move toward the structural separation, and this is verified by my cases. At the IT company this change has already happened. Such strategic-level tensions arisen between two leaders, which could not been resolve by contextual tools, the culture, the personal presence and the motivation. In order to stay in the organization, they needed to separate the competing activities, which brought other, positive effects on control and transparency. Naturally, it increased the parallelism, but for example, at the level of job-descriptions of development and sales team, they have already begun separating the two products.

The second aspect is that in the changing process the leaders understand, how much value their company represents, what is its limits and how expensive it is to change it. They experience that the irresponsibly made strategic decisions can endanger even the whole company. This could call caution, and could create a risk aversion behaviour, which we saw in the case of the logistical company. The leader sees the development of the organization as a troublesome and difficult process (rightfully), which motivates him to organize every radical and growing opportunity into a new organizational unit in the future, in order to not to violate the exploiting base structures.

6. CONCLUSIONS

Nowadays economic common talk is determined by severe changes. The generation of entrepreneurs which started out at the regime change, and has 20 – 25 years of history, wants to pass on their hard – built companies. The middle and large enterprises, which are the spine of the economy must become more innovative in order to increase export and international competitiveness. Meanwhile they have to overcome the issues of efficiency and capacity in comparison to the Western states. The line could be continued at some length, but it is clear that the domestic companies will meet numerous innovations, new leaders and tools, new products and markets, and new procedures of production, while they will have to keep the current businesses and sources of revenue. The need for handling duality makes the temporarily less – known theory of ambidexterity relevant in the domestic theory and practice, which have become one of the most popular management topic in the international economic thinking.

The central dilemma of ambidexterity, that is the simultaneous and single – scheme handling of the exploration of new opportunities and the efficient exploitation of the old ones, long since counts as the central question of management science. The paradox is not recent, this basic contradiction determines the fields of learning [Argyris & Schön, 1978; March, 1991], innovation management [Birkinshaw et al., 2008; Cheng & Van de Ven, 1996; He & Wong, 2004; Jansen et al., 2005; O'Reilly

& Tushman, 2004; Smith & Tushman, 2005], strategic management [Burgelman, 1991, 2002; Winter & Szulanski, 2001], organizational design [Burns & Stalker, 1961; Holmqvist, 2004; Thompson, 1967; Van den Bosch et al., 1999] and growth – management [Greiner, 1972; Penrose, 1959] since decades.

Building on the results of related areas, the literature of organizational ambidexterity have become one of the richest and most researched piece of the last 10 – 15 years. Opposed to the earlier, the objective of the approach is to - instead of choosing between exploration and exploitation - understand how to create balance between activities of contradictory relations. However all fields which are agree that this requires extraordinary efforts from the leaders. In the recent period different standpoints took shape regarding how state of balance can be reached and maintained. The field is in a divergent state for the time being [Raisch & Birkinshaw, 2008]. Briefly looking over the main research directions, the performance – boosting effect of ambidexterity is a deeply researched topic [eg. Gibson & Birkinshaw 2004, He & Wong 2004, Lubatkin et al. 2006], while the literature of structural antecedents and conditions became the most traditional and popular part of the area [Duncan, 1976; Tushman & O'Reilly, 1996]. The reason for this is that because of the quantitative methodology and big company patterns these questions were practical to examine [Birkinshaw et al., 2014; O'Reilly & Tushman, 2013; Raisch & Birkinshaw, 2008; Raisch et al., 2009; Simsek et al., 2009]. The new standpoint of the last 15 years was the contextual approach [Adler et al., 1999; Corso & Pellegrini, 2007; Gibson & Birkinshaw, 2004] and the examination of characteristics of top – manager groups and individuals [Beckman 2006, Lubatkin et al. 2006, Smith & Tushman 2005].

The organizational ambidexterity is the most recent area of the literature of strategic management with the greatest potential which have got no great attention in the domestic professional literature until now. Still as I wrote in the previous section the area is fractured [Raisch & Birkinshaw, 2008] and has numerous unanswered questions. It is my determined objective since the beginning of my doctoral studies to research the field of ambidexterity, contributing to the development of international literature and the domestic popularity of the field to Hungarian publications and conference papers. I have identified for important research gaps during examination of the professional literature:

- Definition: despite its known role in forming and maintaining ambidexterity within organizational context [Birkinshaw & Gibson, 2004], the current definition of context is perfunctorily [Gibson & Birkinshaw, 2004; Güttel & Konlechner, 2009; O'Reilly & Tushman, 2013, Simsek et al., 2009].

- Methodology: instead of the earlier researches with quantitative methodology and static standpoints, it is advised to apply deep, qualitative, historian methodologies with process-approach [Birkinshaw et al., 2014; O'Reilly & Tushman, 2013; Raisch & Birkinshaw, 2008; Raisch et al., 2009; Simsek et al., 2009].

- Pattern: most of the earlier researches have only examined the functioning of mature, multinational companies and not young organizations [O'Reilly and Tushman, 2013; Raisch & Birkinshaw, 2008; Simsek et al., 2009].

- Process-approach: The characteristics and performance-differences of static, already ambidextrous companies are well-known [Güttel & Konlechner, 2009; He & Wong, 2004], but currently we know few about the procedures it has formed within [Adler et al., 1999; O'Reilly & Tushman, 2013; Raisch & Birkinshaw, 2008; Siggelkow & Levinthal, 2003; Simsek et al., 2009].

Building on these gaps and suggestions of the professional literature, I have identified the process–approach–based exploration of the forming of ambidexterity and the setting up of the detailed definition of context as my research objectives. Therefore, I have phrased the next comprehensive research question:

The lack or existence of which management-, control-, leadership-, or structural elements would support or hinder the forming of the organizational context necessary for the ambidexterity?

As a sample, I have examined five companies with both exploration and exploitation activities, which are older than 10 years, have at least three organizational levels, have export activities (that is internationally competitive) and have 2 – 15 billion HUF annual income. The cause of these selective criteria is that I wanted to perform data survey within such organizations, which deliberately perform exploration and exploitation, therefore they want to reach some kind of ambidextrous state, but already has a developed structure for the contextual elements to be examined.

The sample consisted of a manufacturing and trading-, a machine building-, an agricultural-, a logistics- and an IT company. It was important to choose 'ordinary, everyday' companies, because the earlier researches have examined context within where special organizations (research institutions). As a data survey method, following the suggestions of professional literature, interviews, observation, and document analysis was applied. I have made excerpts from the interviews, notes of observations and coded them by Nvivo data-analyzer software.

In my research, I analyzed the material of 36 interviews from five companies, which covered positions and all management levels of the observed firms. The data survey was complemented by the document analyses of important internal regulations, structures, procedures, performance reports and instructions. Furthermore, I have participated in numerous planning-, developing-, and strategic workshops and operative meetings meanwhile having a lot of informal talks. The data were coded in QSR Nvivo.

In the 2nd section of my thesis I have processed the professional literature of ambidexterity in detail. I trust that this deep summary in Hungarian will facilitate the domestic spreading of the theory. The overview of literature touches upon the roots of ambidexterity, the connecting areas, the difficulties of finding the balance, the different traps, and the introduction of the main approaches, that is the structural, contextual and leadership – based areas.

After that I have particularly defined the above – mentioned research gaps, and have taken a stand on the definition of ambidexterity. Based on the opinions of Birkinshaw and Gupta [2013] and Birkinshaw and Gibson [2004] I see the different approaches of ambidexterity as complementary constructions. In my definition ambidexterity is not the ultimate, highest level of organization, but a forced state governed by internal and external influences. In the life of the company inevitably evolve such situations, when one must exploit and explore at the same time. Leaders must prepare for these contradictory situations (but it's not nearly sure, that this duality is present during the whole life-cycle of the organization).

The next part of my thesis is closely attached to one of my research objectives from the two, the definition of context. According to the earlier presented critiques in literature, the original definition of Ghoshal and Bartlett [1994] is not deep enough,

furthermore the definitive research of the area by [Gibson & Birkinshaw, 2004] have also analyzed the factors governing ambidexterity within certain limits, only concerning the leaders behavior and micromanagement. Therefore I matched the factors of Ghoshal and Bartlett [1994] to the leadership functions of Dobák and Antal [2010], thus making the framing of definitions wider and the focusing on the applied management systems instead of the behavior.

The relevant results of the cases were presented in the fourth section in detail. In the fifth section I have compared the case studies in the frame system of Birkinshaw and Gibson [2004], and identified their performance levels. As a result of my analysis I have identified the following five steps forming ambidexterity and defined the essential management – tools of the context and their relations.

1. Development by single – new learning

2. Conflicts and their detection

3. Development or lack development of context

    a. strategic and planning systems, MbO, depreciation, introduction of reporting

    b. IT support, indicator systems, introduction of rewarding

    c. Forming of standard, well – defined base structure, and flexible substructures

    d. Transformation into an integrating strategic leader who builds and keeps culture, and ensures strategic unity and performance – orientation

4. Double-loop learning, reaching ambidexterity

5. Possible structural separation

I phrased to presuppositions in my thesis:

- The more developed management-, control-, leadership- and cultural elements are present in the organizational context, the lower is the level of perceptible tensions and contradictions [Birkinshaw & Gibson, 2004; Flamholtz & Hua, 2002; Ghoshal & Bartlett, 1994; Gibson & Birkinshaw, 2004; Güttel & Konlechner, 2009].

- The more management-, control-, leadership- and cultural elements are present in the organizational context, the higher is the level of ambidexterity (Birkinshaw & Gibson, 2004; Gibson & Birkinshaw, 2004; He & Wong, 2004).

The results of my research support that the lack of development of context will generate severe conflicts and tensions, the solution of which prevents development of ambidexterity, and causes serious organizational damages. The reaching of the process of ambidexterity, and the definition of context describe the dynamics of these conflicts accurately, and names the entirety of the tools needed for their solution.

The first step of the process is the development by single – loop learning. In this. Organizations work based on quality division of labor on the surface, but really the simple organizational mechanisms are dominant. The central element is the leader himself. A charismatic, entrepreneurial person builds a flexible, agile and very able team with people similar to himself. The regulations and predictability are a cultural counterpoint in most of the cases. While the capacity of the supreme leader is enough for to identify the exploration opportunities and exploitation developments, for the personal solution of the conflicts between them, as well as for the operative management, corporations operate without questioning the basic mechanisms of the system. This perception and external success supports both the leader and the organization that the current conditions ensure the most convenient context.

In the second step of the process the complexity, the possible external changes and the unorthodox strategic steps weigh down the organization; the context will reach its limit because of the overload of the one – person leadership. The founder right fully phrases that he would require more self – reliance and proactivity from his partners, meanwhile the aims to formalize the operation. But the partners are not interested in this, and they have not socialized this way. In fact the dismissal of standardization and the favoring of flexibility and rapidity mean the identity – forming force and the basis of business successes. The distance between the expectation of the leader and the percept it organizational reality is growing, the leader becomes isolated for which he answers by IT developments and hiring new people. This will set of the situation, correlations will form and serious cultural gaps will open.

The key – point of the process is if the leader is able to detect the situation or not. He's attention is really disturbed by internal and external feedback, the inability and course – dependency coming from previous successes. Who identify this situation only as a resource problem, and wants to buy a resolution in the form of new leaders and systems, will inevitably fail, while only keeping those activities which are closely connected to the leadership competencies of the founder.

In case of the successful companies the change starts and terminates with the leader. The economic training and the external stimulus of the environment (learning from clients and competitors) facilitate the comprehension of need for change. The organizational context necessary for ambidexterity is a well – definable sum of strategic, planning, organizational and control mechanisms, which are comprehended by a changing leadership role. In an including way, corporations create uniformly interpreted strategy, which is continuously communicated in the organization. This is followed by the technically and methodologically developed annual frame – planning, and the project – planning of the exploration initiatives legitimated by the strategy. The agreements on the objectives (MbO), the connected reporting and monitoring systems, and the informative and conflict – solving leadership presence, which is carried out by a corporate governance system, will be able to limit the individual discrepancies between exploration and exploitation. On the contrary to the prejudice, ambidextrous organizations put serious energy in the standardization of the working structure, the definition of structures, positions and regulations, as this safety could create capacity for the secondary structures and projects which will carry out the exploration tasks. By different indicators projects are also controlled by the leadership, and the definition of projects is also strictly determined by the strategy. But the work within the substructure is flexible and creative.

In the fourth step of the process leaders understand the value and limits of organizational context therefore becoming able to detect if there strategic plans are not tolerated by the organization. At this time they either discard the initiative or change the structure. This is a huge development compared to the earlier life-period. They maintain ambidexterity through their changed role and planning, objective, control and rewarding systems which are comprehended by their culture-and identity-forming role. During the working processes a continuous learning happens between exploration and exploitation.

But maintaining contextual ambidexterity comes with tensions and costs of coordination. As a last, optional step the process, when the leader detects that these costs reach the limit of wasting, he can shift into the direction of organizational differentiation.

My research was to contribute to the theory by the both – described summary of the process of ambidexterity and by deeper definition of context, as only the behavioral side of the context had been researched in detail this far [Gibson & Birkinshaw, 2004], management tools were only examined within very special enterprises [Güttel & Konlechner, 2009]. Compared to the earlier results, the relations of the specific tools and the role of IT and change management is an important value added. It is because I made my research in the process – approach instead of the general static viewpoint [Raisch & Birkinshaw, 2008].

The possible shift between the contextual and structural ambidexterity, which is an unexpected result of my thesis, will enrich the scientific debate which concerns the relations of the specific viewpoints [Birkinshaw & Gibson, 2004; Birkinshaw & Gupta, 2013]. My results support that the specific constructions are equivalent solutions, which are able to solve corporate problems in different situations just the same. Sequence or hierarchic relation cannot be ascertained according to my results, this question is of no use.

My results also enrich growth-theory. On one hand the qualitative research allows an insight to the forming dynamics of growth-traps, on the other hand it highlights that not only the quantity of growth, but its misdefined quality is also able to crush companies. It also raises the awareness, that organizations are able grow by incomplete solutions, differently from the theoretical life – periods, but these the may prove to be there undoing later and would create even deeper crises. However my results support those axiom-like upshots that the management – knowledge of the leadership is the main limit of the growth of a company, also even in the earlier life – stages.

Ultimately my thesis contributes to that scientific debate of great past that how organizations are able to overcome course – dependency [Greiner, 1972; Simsek et al., 2009; Tushman & Anderson, 1986]. My results outline that internal and external feedback drives companies into traps, which can be avoided by the development of

their personal management knowledge and objective external feedbacks. At the same time the results of the case studies and the definition of context give direction for practice about the management tools and systems necessary for the further growth and development.

My research has more limitations. The most important is that because of the high – handed sampling and qualitative methodology, the process of reaching ambidexterity cannot be seen as generally true. It's important to underline that I have only examined such organizations which deliberately perform exploration and exploitation, among others this is why my results cannot be generalized. The early life – stage was reconstructed by retrospective interviews, the memories and experiences could have changed in the course of time, so this period of the corporations would deserve further researches. My inquiry have focused on management – tools and did not concerned individual characteristics, decision – making mechanisms and behavior. Therefore my conclusions about the internal and external feedback strengthening the forming of course – dependency cannot perfectly grounded, these would be worthwhile to analyze deeper. My process presents the change from contextual to structural ambidexterity, but probably further exciting directions would be discovered by analyzing a wider circle. I trust that the results of my work, the definition of process and context will inspire further researches.

My thesis also has important conclusions for the practice. The organizational shortcomings of the early life-stage have generated deep growth – crisis without exception. This raises the attention to the importance of development of management even in the small – business stage, because the best cure is prevention, for which it is an important information how the crisis took shape. It's an interesting moral that were the professional power was dominant, management was a culturally despised ability which made the realization of organizational development initiatives more difficult. Positive examples highlight the fact that the development of the leader's management knowledge is a good investment, which radically facilitates the cultural changes accompanying the cultural changes. The most important point of my thesis is that the further ability of development of the company depends exclusively on the perception of the leader, or it will be forced to give up certain activities, cut up by conflicts. The role of leadership is salient. Leaders must go on in the environment with open eyes, they have to learn and slowly proceed within the healthy capacity of

the organization. Great stress shall be laid on the introduction of IT – tools, but these cannot separated from the individual development of the organization and the leaders. The flexibility of the early life – stage can also be reached within standardized circumstances, but the slight slowing and bureaucratization of the organization is a natural phenomenon without which the size and complexity would not be manageable. The development of the structure is indispensable, and the company is able to grow for the extent of the knowledge and capacity of the leader - one must invest into the organization even from external resources! I trust that - if the practising professionals even partly notice themselves- my thesis gives useful conclusions and guidance in the complex maze of growth and organizational development.

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8. APPENDIX

Appendix 1: Questionnaire based on Dobák and Antal's [2010] management functions

1. Strategy
   a. What is the company's explicitly followed strategy?
   b. What are the most important products and markets?
   c. Who are the main competitors?
   d. How can you describe the market?
   e. What are the advanteges of the firm?
   f. What are the future objectives and challenges?
   g. Is there a common understanding about the strategy?
2. Organizing
   a. Process
      i. Please, draw the main production/serive process of the firm!
      ii. Please, describe in full detail every process you are involved in!
      iii. Please, mark the conflicts!
      iv. Please, mark the important IT-solutions, forms, and documents!
   b. Struktúra
      i. Please, draw the actual organizational structure!
      ii. Mark the problems and conflicts!
      iii. Which relationships work well? Which not?
      iv. Please, draw an ideal structure!
      v. Mark the important decision-makers!
      vi. Is the decision-making centralized or decentralized? Why?
      vii. How deeply is the CEO involved into operative decisions?
      viii. Do you have direct superior? Who gives you intructions?
      ix. Are there any management meetings in the firm?
3. Control, coordination
   a. Are there written regulations, guides and manuals?
   b. Are there financial or functional plans, budgets?

<ol type="a" start="3">
Do you have personal targets? Are these objectives in line with the organizational strategy?
Please, describe you compensation and reward system!
How often do you participate in projects, teams and boards?
How precise is the definition of these projects and teams? Are these collaborations accepted by the organization?
Do you have an IT-department in your company? How important is IT in the everydays?

<ol start="4">
Leadership
<ol type="a">
Please, describe the leader(s) of the organization! Do you respect him/her? Why? Do you feel that they support you? Do they create unity or create tension?
Are there conflicts in the organization? If yes, on which level? How do the organization handle and solve these conflicts?
Please, describe the atmosphere and culture! How typical is the collaboration and teamwork?
Individuals or collectivity dominates in the culture? Please, specify the level of rivalry among members of the organization!
Are individual initiatives appreciated?
Please, describe the typical way how one can become a manager in the firm!
Please, specify the extent of HR-fluctuation!

Appendix 2: Two-level code-structure based on Taylor [1911], Fayol [1916], Bühner [1994], Khandwalla [1975], Drucker [1986], Marlow & Schilhavy [1991], Anthony & Govindarajan [2009], Herzberg [1968], Skinner [1938], Ouchi [1980], Hersey & Blanchard [1977] and Mintzberg [1979]

- Function, department (firm specific)
- Successes
  - Strategy
  - Operative organizing, processes
  - Authority
  - Leadership
  - Culture
  - Control
  - IT
- Problems
  - Strategy
  - Operative organizing, processes
  - Authority
  - Leadership
  - Culture
  - Control
  - IT
- Interviewees (firm specific)
- Division of labor
  - Functional
  - Product
  - Customer
  - Regional
- Processes
  - Superior
  - Employee
  - Objectives
  - Tasks
  - Authority

- Responsibility
- Rewards
- Division of authority
  - Cross-instructions
  - (De)centralization
- Coordination, control
  - Structural
  - Technocratic
  - Person oriented
  - Market
  - Clan
  - Bureocratic
- Motivation
  - Higienic
  - Motivator
  - Process

9. MY PUBLICATIONS IN THE RESEARCH DOMAIN

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