

# The Ambidextrous Organisation



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The Advanced Institute of Management Research (AIM) develops UK-based world-class management research. AIM seeks to identify ways to enhance the competitiveness of the UK economy and its infrastructure through research into management and organisational performance in both the private and public sectors.

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### AIM consists of:

- Over 150 AIM Fellows and Scholars – all leading academics in their fields...
- Working in cooperation with leading international academics and specialists as well as UK policymakers and business leaders...
- Undertaking a wide range of collaborative research projects on management...
- Disseminating ideas and shared learning through publications, reports, workshops and events...
- Fostering new ways of working more effectively with managers and policy makers...
- To enhance UK competitiveness and productivity.

### AIM's Objectives

**Our mission is to significantly increase the contribution of and future capacity for world class UK management research.**

Our more specific objectives are to:

- Conduct research that will identify actions to enhance the UK's international competitiveness
- Raise the quality and international standing of UK research on management
- Expand the size and capacity of the active UK research base on management
- Engage with practitioners and other users of research within and beyond the UK as co-producers of knowledge about management

## contents

AIM – the UK's research initiative on management	2
About AIM	3
AIM research themes	4
Executive review	5
Introduction	6
Ambidexterity in context	8
The road to ambidexterity	14
Conclusion	16
The diagnostic tool	18

### **Current AIM research projects focus on:**

#### **UK productivity and performance for the 21st century.**


*How can UK policy makers evaluate and address concerns surrounding the UK's performance in relation to other countries?*

National productivity has been the concern of economists, government policymakers, and corporate decision-makers for some time. Further research by scholars from a range of disciplines is bringing new voices to the debates about how the productivity gap can be measured, and what the UK can do to improve the effectiveness of UK industry and its supporting public services.

#### **Sustaining innovation to achieve competitive advantage and high quality public services.**

*How can UK managers capture the benefits of innovation while meeting other demands of a competitive and social environment?*

Innovation is a key source of competitive advantage and public value through new strategies, products, services and organisational processes. The UK has outstanding exemplars of innovative private and public sector organisations and is investing significantly in its science and skills base to underpin future innovative capacity.



#### **Adapting promising practices to enhance performance across varied organisational contexts.**

*How can UK managers disseminate their experience whilst learning from others?*

Improved management practices are identified as important for enhancing productivity and performance. The main focus is on how evidence behind good or promising practices can be systematically assessed, creatively adapted, successfully implemented and knowledge diffused to other organisations that will benefit.

Organisational ambidexterity is the difficult act of balancing two diametrically opposed organisational qualities – adaptability and alignment. Adaptability is about focusing on the future. It is the ability to respond to change, to be nimble, to progress. Alignment is about maximising the present, leveraging existing ideas, exploiting markets. The organisation that successfully reconciles both is rewarded with a significant competitive advantage.

Our research adds a new dimension to what was a largely theoretical and slightly esoteric concept by suggesting a new way of achieving ambidexterity, and by providing a practical way of measuring the relevant attributes of ambidexterity.

### Key Findings

- **Ambidexterity confers competitive advantage.** Organisations that effectively combine adaptability and alignment, that focus on the present as well as the future, are likely to be more successful in the long-term than companies that do not.
- **Structural ambidexterity is useful, but not sufficient.** Structurally separating adaptability-oriented and alignment-oriented activities is not the most effective way of creating an ambidextrous organisation.
- **Empower the individual.** It is far better to enable individuals to create an ambidextrous organisation through their choices about which activities to pursue in the course of their day-to-day work. Ambidextrous individuals are an attribute to any organisation.
- **Creating context.** Organisations must create the right organisational environment or context for individuals to make decisions. They must create a high-performance context.

How do organisations create a high-performance context? While there is no blueprint, a number of factors are critical.

### Organisations must:

- **Diagnose their organisational context.** Use a diagnostic tool to find out what the current organisational context is (*see page 18*).
- **Communicate strategy throughout the organisation.** Ensure that everyone in the organisation understands what initiatives relating to ambidexterity are in place and why.
- **Understand the role leaders play.** Ambidexterity is rarely leadership-driven. But it is often leadership enabled.
- **Focus on a few levers and use them consistently.** There is no magic solution for creating a high-performance context. Many different organisational levers will work, the key is to concentrate on a few, and use them consistently.
- **Understand that contextual and structural ambidexterity are complements.** Structural solutions have their place. Contextual ambidexterity is a complimentary approach and better in the long-term.

Take note of these factors and organisations may find that the elusive goal of ambidexterity is not so elusive after all.

Organisational ambidexterity is the difficult act of balancing two diametrically opposed organisational qualities – adaptability and alignment.

In many sports, ambidexterity is a competitive advantage. Footballers are encouraged to use both left and right feet; left-handed batsmen have a slight advantage against right-handed bowlers; the southpaw boxer presents a rarely encountered challenge to a boxer with an orthodox stance; some ambidextrous tennis players even use both hands, separately, to play strokes during a rally. And while some individuals are naturally two-handed or two-footed, many work hard at gaining an advantage by practising until they master ambidexterity.

It may be a little known fact, but organisations can be ambidextrous too. True they don't have left or right feet or hands. Instead ambidexterity for organisations is about dealing with contradictory qualities. The global economy is a tough arena to compete in. For an organisation to succeed over the long term it must master two apparently contradictory qualities – adaptability and alignment.

On the one hand, organisations must be adaptable. They must be able to quickly seize new opportunities and rapidly adjust to new situations. They must avoid complacency. An adaptable company is nimble, innovative and proactive.

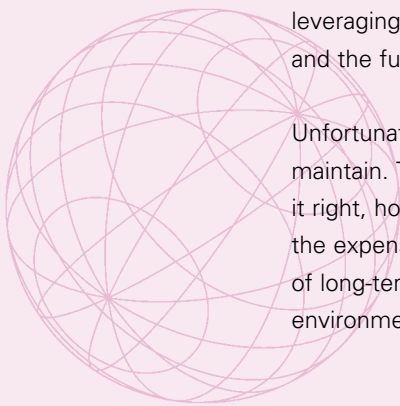
On the other hand, as well as adapting to new circumstances organisations need to make the most of an existing situation. This is where the quality of alignment is important. Alignment is about exploiting proprietary assets, rolling out existing business models quickly and stripping costs out of existing operations.

The ability to do both is termed **ambidexterity**.

So, a company like GlaxoSmithKline experiments with new organisational models and develops new technologies in search of blockbuster drugs while, at the same time, leveraging the returns from its existing drug portfolio. That's focusing on the present and the future – ambidexterity.

Unfortunately the combination of adaptability and alignment is a difficult one to maintain. The difficulty is getting the balance right. The consequences of not getting it right, however, are costly. Some companies pay too much attention to alignment at the expense of adaptability. The result is good short-term performance at the expense of long-term success. With a shortsighted approach eventually the changing business environment will catch you out.

While most organisations recognise the need to be both adaptable and aligned, they struggle to achieve it.



For some time, the bank Lloyds TSB prospered under the leadership of CEO Brian Pitman. The bank's strong performance was partly attributed to Pitman's intense focus on shareholder value and return on equity. However while the company were focusing on the 'now', they paid less attention to understanding changing consumer needs. Between 1998 and 2003, Lloyds TSB lost 60 per cent of its value.

Other companies are long-sighted. They are highly adaptable and operate with an eye to the future. Yet they build tomorrow's business at the expense of today's. Communications technology company Ericsson led the way in the development of communication technologies. It has pumped money into R&D. At its peak it employed 30,000 people in some 100 technology centres. With such substantial investment in the future Ericsson was hit hard during the recent crash in the telecoms industry. Forced to concentrate on the present it closed many of its technology centres.

While most organisations recognise the need to be both adaptable and aligned, they struggle to achieve it. The question is: How can organisations successfully balance the conflicting demands of adaptability and alignment?



### 1 Structural ambidexterity

The answer to mastering ambidexterity requires some topsy-turvy thinking. The problem is that most organisations come at the ambidexterity challenge from the wrong direction. The way most organisations attempt to deal with ambidexterity is by creating separate structures for those activities concerned with adaptability, and those concerned with alignment.

Organisations believe that this so-called structural separation is necessary because the two sets of activities are so different they cannot coexist. However, dividing up the activities into separate areas – core business units and R&D development, for example, is not the ideal solution.

Separation leads to isolation. The R&D labs may generate brilliant ideas but fail to get buy-in from the business units because of the weak links between the two. So instead organisations have experimented with alternative structures that combine elements of both adaptability and alignment. But this is still a top down approach. These structures still rely on the people in charge directing the work, and deciding how best to divide up the time of their employees between one set of activities and the other. Do these people know best? Even if they do, it is an inefficient model.



There is another way of approaching the challenge of reconciling adaptability and alignment. Why not consider ambidexterity from the perspective of the individual employee? Everyday, employees face choices about how to spend their time. Should they, for example, continue to focus on an existing customer account to meet targets? Or should they, instead, nurture a new customer with a slightly different need?

If individuals are able to make these choices effectively, then ambidexterity is no longer elusive. We call this type of ambidexterity – individuals making choices between adaptability-oriented activities and alignment-oriented activities based on the context of the day-to-day work – **contextual ambidexterity**.

Our research suggests that ambidextrous individuals, when they are allowed to exist, exhibit a number of useful and important behaviours: Ambidextrous individuals take the initiative and are aware of opportunities beyond their own jobs; ambidextrous individuals co-operate, seeking opportunities to combine their efforts with those of others; ambidextrous individuals are brokers who build internal networks; ambidextrous individuals are natural multi-taskers.

The question then becomes how to encourage individuals to behave in this way. What type of behavioural context encourages individual ambidexterity?

### Structural ambidexterity v Contextual ambidexterity

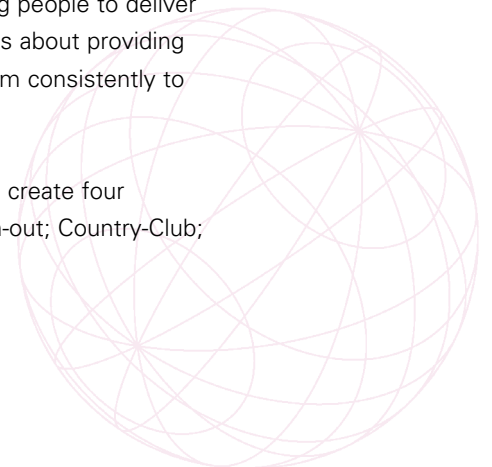
	<b>Structural Ambidexterity</b>	<b>Contextual Ambidexterity</b>
<b>How do we attain ambidexterity?</b>	Through alignment and adaptability focused activities carried out in separate teams	Individuals divide their time between alignment and adaptability focused activities
<b>What kind of skills do employees have?</b>	Tend to be specialists	Tend to be generalists
<b>Who makes the decisions about alignment and adaptability?</b>	Senior management Line managers	Employees whether they are customer facing, office workers, plant workers etc.
<b>What is senior management's role?</b>	Defining structure, making weighing up adaptability against alignment	Creating the organisational context within which employees operate
<b>What is the nature of roles within the organisation?</b>	Clearly defined	Flexible

## 2 Contextual ambidexterity

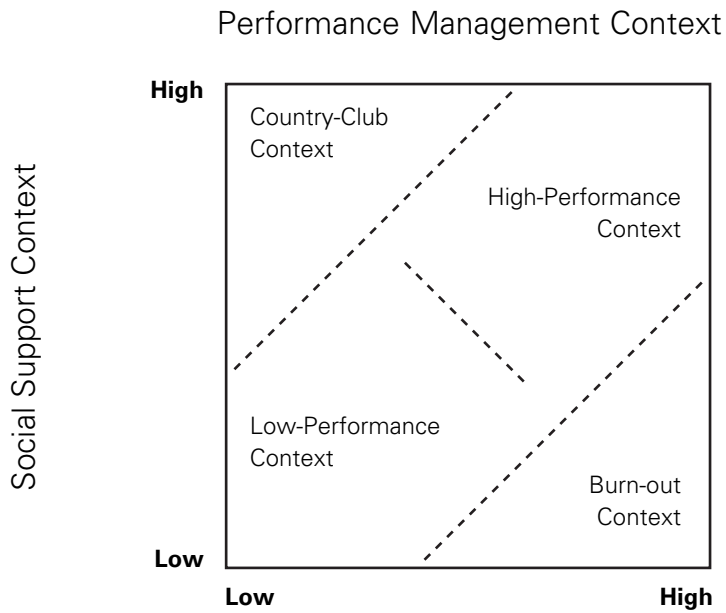
In considering context, we applied some of the ideas developed by Sumantra Ghoshal and Christopher Bartlett. They viewed context as the often invisible set of stimuli and pressures that motivate people to act in a certain way. Ghoshal and Bartlett identified four sets of attributes – stretch, discipline, support and trust – that interact to define an organisation's behavioural context.

Our analysis focused on two dimensions of context: Performance management, a combination of stretch and discipline; and social support, a combination of support and trust. Performance management is concerned with stimulating people to deliver high-quality results and making them accountable. Social support is about providing people with the security, support, and latitude they need to perform consistently to their highest potential.

Performance management and social support can be combined to create four different possible contexts (see Figure 1): High-performance; Burn-out; Country-Club; and Low-performance.



**Figure 1: The Organisational Context Grid**



There are four generic positions that an organisation can take.

The top-right corner is the high-performance context. It stimulates people to deliver high-quality results through its performance management systems. At the same time it provides the social support and security required to do a job consistently well over the long-term.

The bottom-left corner is the low-performance context. It offers neither the performance ethic, nor the social support, that individuals require to do their jobs effectively.

The bottom-right corner is the burn-out context. It's a demanding results-driven orientation but lacks social support. People perform well for a limited time in such a context. Ultimately, however, its depersonalised, individualistic, and authority-driven nature results in a high turnover of personnel, making ambidexterity difficult to achieve.

Finally, in the top-left corner is the country-club context. Here the social support is very strong. Employees benefit from and enjoy the collegial environment. The performance-orientation, however, is weak.

The framework serves two purposes: It is a diagnostic device used to establish the relative focus on performance management and social context, and it also suggests changes the company might put in place to change its context and become more ambidextrous.

### (i) High-performance context

The high-performance context is the most desirable context for an organisation to create. It drives people to deliver high-quality results and at the same time provides long-term social support and security.

Renault and Oracle are companies with high ratings of ambidexterity, and behavioural contexts firmly in the top-right corner of Figure 1. They provide some clues about what a high-performance context looks like in detail, and how to create such an organisational context.

#### ■ There are many roads to ambidexterity:

Renault achieved it by building a performance context around existing social support; Oracle built a performance context first then looked for ways of building support and trust across the organisation.

Equally, the role of the leader is very different in the two companies. Larry Ellison is the charismatic, all-knowing, and all-powerful CEO. Louis Schweitzer, the former Renault CEO, is no less powerful, but works in a more collegial manner, building support for his initiatives before putting them in place.

The high-performance context is the most desirable context for an organisation to create.



#### ■ A clear and simple set of priorities is essential

Despite all their differences, Renault and Oracle both have a clear and simple set of priorities. Oracle employees emphasised the role of goal setting, individual performance appraisal and risk management as key priorities. With Renault employees, capital allocation, recruiting and vision were important.

Selecting focal elements is critical, as they have to fit the needs of the organisation. However, the consistency with which they are applied, and the number of employees impacted, is even more important.

## **(ii) Burn-out context**

Contrast the success at Renault and Oracle with the impact of a very different type of behavioural context – the burn-out context. A burn-out context puts so much emphasis on performance management that the social support systems are neglected, or never put in place. This jeopardises ambidexterity (*see box below*).

### **Burnout**

Scotch Inc., (not its real name) is one of the largest consumer products companies in the world. Scotch grew quickly during the late 1990s by focusing on a small number of core brands and rolling them out quickly on a global basis. By 2000, however, growth was slowing, and foreign subsidiary managers were voicing concerns – they had limited influence over the positioning of the global brands in their local markets, they were short of resources, and they felt the strategic planning process was too top-down. And, at the same time, the growth goals were demanding, and there was little or no tolerance of failure.

Scotch Inc. had created a burn-out context. An emphasis on performance management had led to solid growth, but executives were worried about where the next phase of growth would come from, and feared the impact of the subsidiary managers' concerns.

Three initiatives were put in place to increase the quality of the social context in Scotch Inc. One group of subsidiary managers was asked to propose changes to the strategic planning process, a second focused on systems for sharing best practices, and a third worked on professional development. While it is too soon to say how these changes have worked out, the purpose is to push Scotch Inc. towards the high-performance context.

## **(iii) Country-club context**

A third type of context – the country-club – is instantly recognisable. It is a world where no-one works too hard and mediocre performance is tolerated, but at the same there is a strong sense of support and trust. Many government departments, universities, and state-owned companies exhibit this context, as do a good number of commercial organisations.

In one case a formerly state-owned, European dairy products company, sold farm produce to consumer goods companies. Faced with the impending deregulation of its industry the company reviewed its strategy and organisation with a view to becoming more competitive. The problem was it had a country-club culture.

To change the culture senior executives made several significant changes: They broke the company down into distinct profit and loss units; they instituted a pay-for-performance scheme for the unit managers; and they instigated a process for innovation to seek out new sources of top-line growth for the company.

#### **(iv) Low-performance context**

Finally, there is the low-performance context, a cross between the worst parts of the burn-out and country-club contexts. In organisations with this context, there is little concern for performance, nor is there any sense of trust or support among the employees. Ambidexterity is impossible.

A burn-out context puts so much emphasis on performance management that the social support systems are neglected, or never put in place.



Our research has shown that ambidexterity is achievable. Organisations must focus on creating a high-performance context for their employees to work in. There are five key lessons that organisations must learn in order to build a high-performance context and thus an ambidextrous organisation.

**1 Organisations must diagnose their organisational context.** It is not possible to create a high-performance context before assessing what situation the organisation is currently in. To do this we have designed an Organisational Context Grid. To discover where the company stands in terms of performance management, social support and the balance between the two companies can get a cross-section of employees to complete the diagnostic tool (see *page 18*). This should be accompanied by a more qualitative discussion within the organisation.

**2 Communicate your strategy throughout organisation.** The further down in the organisation's hierarchy someone is, the lower they will rate the organisation's ambidextrous characteristics. This is called the erosion effect. It is a measure of the consistency and quality of communication within the organisation.

If the organisation wants to become ambidextrous it will need to explain the importance of organisational context clearly and consistently throughout the organisation. Everyone in the organisation, from top to bottom, must understand what initiatives are in place to promote a high-performance context, and why.

**3 Focus on a few levers. Use them consistently.** There are many ways of building a supportive organisational context that will allow ambidexterity to thrive. No single specific organisational lever – incentive compensation or risk management – for example, is consistently linked to success.

High performing companies were those that focused consistently on a small number of levers. For example, Scotch Inc., is focusing on professional development, knowledge transfer and a more participative strategic planning process in making its move toward ambidexterity. These levers are all directed towards building the social support context. This coupled with the consistency with which they are being applied makes it easier for employees across the organisation to make sense of the changes underway.

**4 Contextual ambidexterity initiatives drive leadership.** They are not leadership driven. Ambidexterity emerges by creating a supportive context in which individuals make their own choices about how and where to focus their energies. Leadership then becomes a characteristic displayed by everyone in the organisation.

In general it is not charismatic leadership that creates ambidexterity. In some companies top-down direction may enable ambidexterity, in most organisations, however, it is a more understated approach to leadership that allows leaders to emerge from the throughout organisation

**5 Contextual and structural ambidexterity are complements.** Structural separation can be effective, however, it is rarely the best long-term solution. Companies like BAT, Royal Sun Alliance and British Airways created separate corporate venture sections during the tech boom. These were designed to nurture new business ideas like many of the independent incubators of the time. The problem was that because they were disconnected from the main business many became isolated and unable make as important a contribution to the organisation they should have done.

Contextual ambidexterity shouldn't be seen as an alternative to structural solutions but as a complement. At times structural solutions are necessary but they should be seen as temporary, a means of giving a new initiative the space and resources to get started. The target goal should be to reintegrate the new idea, or new unit back into the main business as soon as possible. Contextual ambidexterity can help both the structural separation process as well as the reintegration.

Contextual ambidexterity shouldn't be seen as an alternative to structural solutions but as a complement.




The balancing of adaptability and alignment, the ability to focus on both the present and the future, has been acknowledged as a desirable organisational trait for decades. Surprisingly, however, such organisational ambidexterity remains elusive, the concept slightly mysterious and esoteric, and the research into the subject comparatively thin.

At long last our research provides a practical way of measuring the relevant attributes of ambidexterity. It is no longer some slightly ethereal theoretical concept, but a tangible concept with a practical solution and real benefits. Ambidexterity, achieving adaptability and alignment at the same time, is still an important organisational capability, it is just not as difficult to achieve as was traditionally thought.

Importantly our research suggests:

- **Ambidexterity confers competitive advantage.** Organisations that effectively combine adaptability and alignment, that focus on the present and the future, are likely to be more successful in the long-term than companies that do not.
- **Structural ambidexterity is useful, but not sufficient.** Structurally separating adaptability-oriented and alignment-oriented activities is not the most effective way of creating an ambidextrous organisation.

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- **Empower the individual.** It is far better to enable individuals to create and ambidextrous organisation through their choices about which activities to pursue in the course of their day-to-day work.
  - **Creating context.** To enable individuals to do this organisations must create the right organisational environment or context for individuals to make decisions. They need to create a high-performance context.

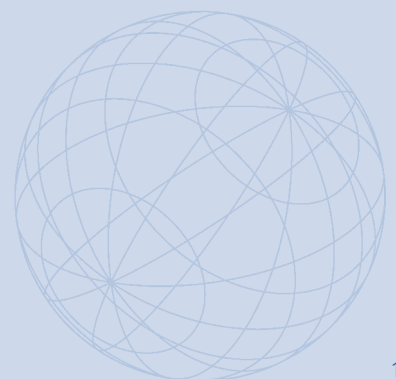
### Implications for practitioners:

How do organisations create a high-performance context? While there is no blueprint for organisations to follow a number of factors are critical.

Organisations must:

- **Diagnose their organisational context.** Use our diagnostic tool to find out what the current organisational context is like.
- **Build understanding at all levels.** Ensure that everyone in the organisation understands what is happening and why.
- **Understand the role leaders play.** Ambidexterity is rarely leadership-driven. It is often leadership enabled.
- **Focus on a few levers and use them consistently.** There is no magic solution for creating a high-performance context. Many different organisational levers work. The key is to concentrate on a few, and use them consistently.
- **Understand that contextual, and structural ambidexterity are complements.** Structural solutions have their place. Contextual ambidexterity is a complimentary approach and a better in the long term.

At long last our research provides a practical way of measuring the relevant attributes of ambidexterity.



How does your company rate in terms of organisational context? To get a quick indication, answer the questions below, calculate your average scores and plot your answers on the graph.

**Evaluate Social Support Context**

<b>Managers in my organisation</b>	<b>Not at all</b>		<b>Neutral</b>			<b>To a very great extent</b>	
Devote considerable effort to developing subordinates	1	2	3	4	5	6	7
Push decisions down to the lowest appropriate level	1	2	3	4	5	6	7
Have access to the information they need to make good decisions	1	2	3	4	5	6	7
Quickly replicate best practices across organisational boundaries	1	2	3	4	5	6	7
Treat failure in a good effort as a learning opportunity, not something to be ashamed of	1	2	3	4	5	6	7
Are willing to take prudent risks	1	2	3	4	5	6	7

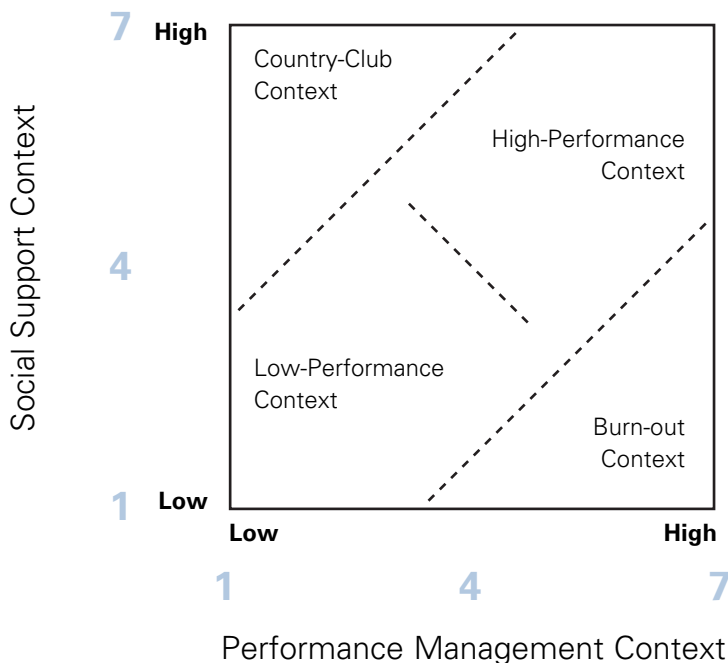
**Average score for social support context** \_\_\_\_\_

**Evaluate Performance Management Context**

<b>Managers in my organisation</b>	<b>Not at all</b>		<b>Neutral</b>			<b>To a very great extent</b>	
Set challenging/aggressive goals	1	2	3	4	5	6	7
Issue creative challenges to their people instead of narrowly defining tasks	1	2	3	4	5	6	7
Make a point of stretching their people	1	2	3	4	5	6	7
Use business goals and performance measures to run their businesses	1	2	3	4	5	6	7
Hold people accountable for their performance	1	2	3	4	5	6	7
Encourage and reward hard work through incentive compensation	1	2	3	4	5	6	7

**Average score for performance management context** \_\_\_\_\_

**Plot scores on the graph**



- <sup>1</sup> Birkinshaw, J. and Gibson, C., The Antecedents, Consequences, And Mediating Role Of Organizational Ambidexterity, *Academy of Management Journal*, (47), 209-226.
- <sup>2</sup> Birkinshaw, J. and Gibson, C., Building Ambidexterity Into an Organisation, *Sloan Management Review*, Summer 2004, Vol. 45, No. 4, 47-55.
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- <sup>4</sup> Tushman, M.L. and O'Reilly, C.A. (1996). Ambidextrous Organizations: Managing evolutionary and revolutionary change, *California Management Review*, 38(4): 8-30.
- <sup>5</sup> Tushman, M.L. and O'Reilly, C.A. (2004). The Ambidextrous Organization, *Harvard Business Review*. April, 74-8.

