

## **BAM 2012 Conference**

### **Understanding the Organisational Context and the Impact of Contextual Individual Ambidexterity on Organisational Ambidexterity, Organisational and Marketing Innovations in Nigerian SMEs**

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# **Understanding the Organisational Context and the Impact of Contextual Individual Ambidexterity on Organisational Ambidexterity, Organisational and Marketing Innovations in Nigerian SMEs**

## **Abstract**

Many of the previous research studies on innovation tend to focus on process and product innovations. It is, however, interesting to note that Organisational and Marketing Innovations (OMIs) could be the necessary prerequisites to optimally utilise and deploy such technological process and product innovations. This study proposes Organisational Ambidexterity as a necessary antecedent to develop the firm's OMI capabilities. For firms to remain competitive and adaptive to a continuous change in the business environment, Organisational Ambidexterity has been noted to be a necessary attribute, but research on ambidexterity at individual level of analysis is limited. The study intends to develop a framework that promotes effective innovation through shop floor employees' contributions to organisational ambidexterity, organisational innovation capability and the firm's marketing innovation capability.

**Keywords:** Contextual Individual Ambidexterity, Organisational Ambidexterity, Organisational and Marketing Innovations

## **1. Research Background**

Governments in countries across the world provide support services for their small and medium sized enterprises (SMEs) in order to enhance their performance (DTI, 2005; DTI, 2006; Cravo et al., 2010; Subair, 2011; Omankhanlen, 2011a; Omankhanlen, 2011b; Ajayi and Adesina, 2011). However, in this era of global economic recession, coupled with very slow economic recovery in many parts of the world, SMEs are unlikely to be spared in the austerity measures that are being put in place to ensure the much needed economic recovery. SMEs are internally characterised by their limited resources (Salavou et al., 2004), and this often limits their ability to develop innovative approaches to their business activities and embark on innovative projects, which are crucial to their continuous survival (Goedhuys and Veugelers, 2011). Large firms, on the other hand, embark on these innovative projects both internally and externally in collaboration with various research institutions from time to time and this has, in no small measure, contributed to their growth and survival even in the difficult times (Kanter, 2010).

The technological gap between the developed countries and developing countries has required the technological advancement in the latter to be made through the absorption and adaptation of existing technologies from the former, instead of breaking new technological ground (OECD/Eurostat, 2005; Goedhuys and Veugelers, 2011). In many developing nations, several aids have been put in place to facilitate technological growth (DTI, 2005; Omankhanlen, 2011a; Omankhanlen, 2011b), but it is sad to reflect that the business environment in many developing nations both inhibits and constrains the firms' absorptive capacity for new technologies (Goedhuys and Veugelers, 2011). Hence, in many developing nations, the realised innovative outputs often discourage further investment and support in the innovation process. This study intends to produce an innovation framework for SMEs in developing nations in order to increase their potential for the effective innovation process.

## **2. Literature Review and Identified Research Gaps**

### **2.1 Effective Innovations in SMEs**

Innovation activities are said to be effective if they have positive impact on business returns and organisational growth. Small firms have a strong ability to invent because they are very close to the customers, but their main problem is in the commercialisation of their inventions, that is, achieving effective innovation (O'Regan et al., 2006; Van de Vrande et al., 2009; Gans and Stern, 2003). According to Cosh et al. (2005), limited research has been carried out on the productivity of innovation within the context of SMEs. A recent study by Park and Ghauri (2011) reveals that small and medium sized enterprises in developing economies search for complementary knowledge and learning opportunities, and this never guarantees possession of sufficient capacity to absorb these technological innovations when compared with small firms in developed economies. Limiting factor to the growth of SMEs in developing nations is that little information exists about their operating procedures; their management styles; their success factors; and the theories explaining

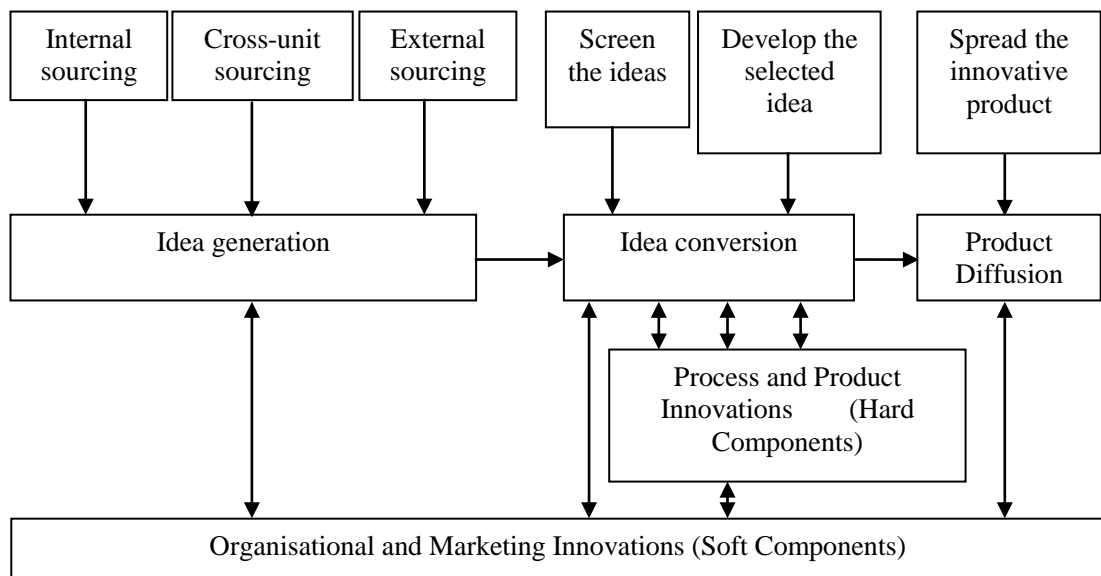
the success (Lee et al., 2010; Jackson et al. 2008). Beyond SMEs in the developing nations, Lam (2011) calls for the investigation of the roles of endogenous organisational forces, for instance: capacity for learning; values; and interests and culture in organisational change and innovation.

## 2.2 Organisational and Marketing Innovations (OMIs)

Organisational innovations are results of management’s strategic decisions emerging from the implementation of organisational methods that have never been used before in the firm (OECD/Eurostat, 2005). Marketing innovations involve the implementation of new marketing methods to address the customer needs or opening up new markets (OECD/Eurostat, 2005). Many of the previous studies on innovation tend to focus more on process and product innovations (Edquist 2005; Conway and Steward, 2009). It is, however, interesting to note that organisational and marketing innovations could be the necessary prerequisites to optimally utilise and deploy such technological process and product innovations (Lam, 2005). The lack of prior research on non-technological innovations has been attributed to poor data availability (Battisti and Stoneman, 2010; Schubert, 2009). According to Nguyen and Mothe (2008), many empirical studies on firms’ innovative capacity, innovation inputs and other support instruments do not take into account the complementary innovation strategies of marketing and/or organisational innovations. The study of Battisti and Stoneman (2010) reveals that adoption of technological innovations by firms is not enough to gain competitive advantage; the far-reaching benefits of technological innovations can only be achievable if they are accompanied by non-technological innovations. While most studies on innovation have focussed only on one innovation type at a time, findings reveal that both organisational and marketing innovations have been under-researched as a joint entity (Battisti and Stoneman, 2010).

The significance of OMIs can be revealed through the innovation value chain proposed by Hasen and Birkinshaw (2007). The four types of innovation identified by the OECD/Eurostat (2005) can be linked to this innovation value chain, as shown in Figure 1. While the idea conversion phase requires more of the application of process and product innovations (the hard components), this research suggests that all three phases require the application of organisational and marketing innovations (the soft components).

**Figure 1: Relating Hansen & Birkinshaw’s Innovation Value Chain to Innovation Types (Adapted from Hasen and Birkinshaw, 2007)**



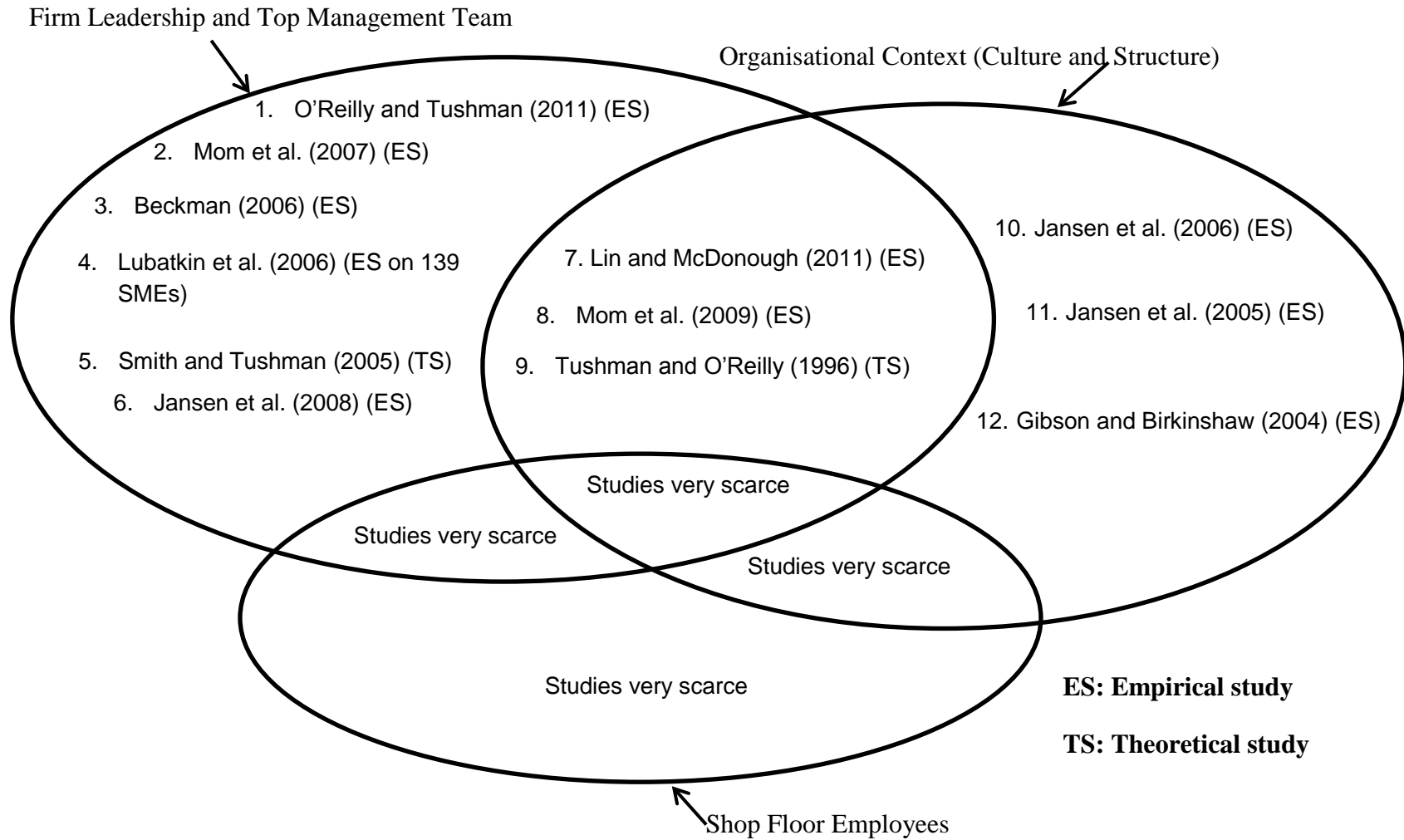
### **2.3 Contextual Individual Ambidexterity**

To survive, firms must exploit current competitive advantage and competencies and also explore new domains with equal dexterity (Lubatkin et al., 2006). For firms to remain competitive and adaptive to continuous change in the business environment, they must exploit existing competencies and explore new ones (Lubatkin et al., 2006; Floyd and Lane, 2000). Organisations must be able to operate successfully in both mature markets and emerging markets. In mature markets, cost efficiency is critical; while experimentation, speed, and flexibility are critical features of the emerging markets (Simsek, 2009; He and Wong, 2004).

Ambidextrous firms excel at exploiting existing opportunities, and also at exploring new opportunities (Andriopoulos and Lewis, 2009). The ability of an organisation to pursue exploration of new product markets while exploiting current product markets is crucial to its long term survival (Venkatraman et al., 2007). Exploitative activities transform knowledge into commercial ends; without exploitative efforts, knowledge may not be fully utilised (Andriopoulos and Lewis, 2009). On the other hand, explorative activities aim at continuously renewing and expanding an organisation's knowledge base; without explorative efforts, a firm's stock of knowledge will wane (Andriopoulos and Lewis, 2009). When firms focus exclusively on exploration, they tend to suffer by not gaining the business and financial returns from their knowledge (Levinthal and March, 1993). At every point in time, meeting the present needs of the existing customers of any firm requires more of the exploitative than the explorative activities from the firm. However, meeting the future needs of the customers (both the current and the future customers), requires more of the explorative than the exploitative activities.

Gibson and Birkinshaw (2004) argue that ambidexterity promotes sustainable performance. According to them, alignment activities are tailored toward improving business performance in the short term, while adaptability activities are geared toward improving business performance in the long term. Raisch et al. (2009) suggest that ambidexterity is likely to relate positively to organisation survival, firm resistance to organisational crises and decline, employee satisfaction and motivation, and corporate reputation. Previous studies on the antecedents of organisational ambidexterity focus on the composition of the firm's leadership and on the organisational context. There has been a call for research into ambidexterity at an individual level of analysis (Raisch and Birkinshaw, 2008), though few studies have reacted thus far. O'Reilly and Tushman (2011), Lin and McDonough (2011) and Mom et al. (2009) focus on firm leadership and top management team composition. Gibson and Birkinshaw (2004) argue that every individual in a unit can concurrently deliver value to existing markets in his or her functional area, and can also react appropriately to the changes in the task environment. Thus, theoretical and empirical investigation on organisational ambidexterity with respect to the composition of the shop floor employees is yet to receive the needed attention. Figure 2 shows the focus of the previous research on the antecedents of organisational ambidexterity, and identifies where research is currently scarce. Research on contextual individual ambidexterity of shop floor employees alongside the organisational context is likely to give a better understanding of how employees' individual ambidexterity contributes to the overall organisational ambidexterity.

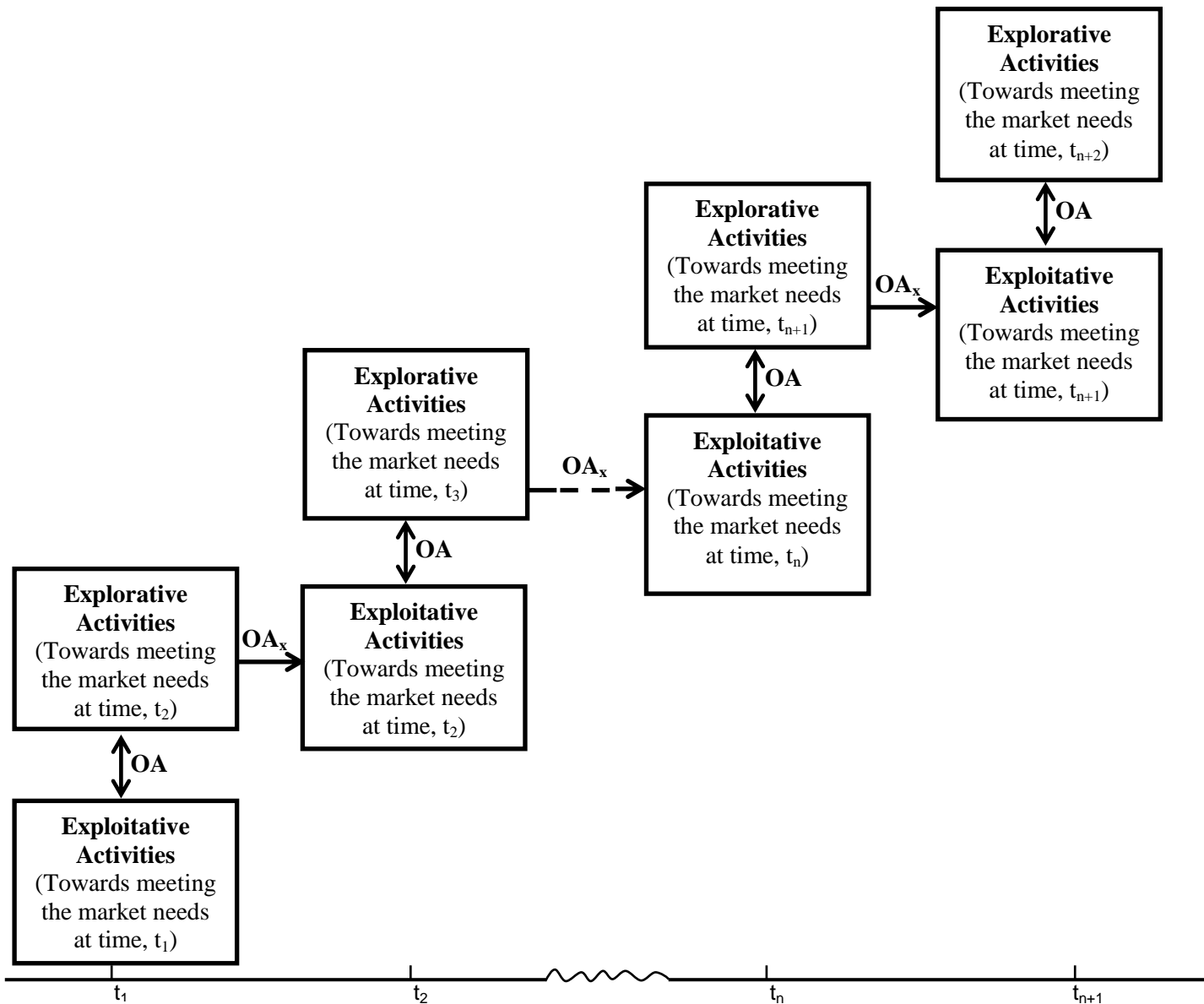
**Figure 2: Examples of Previous Research Studies on the Antecedents of Organisational Ambidexterity**



According to Raisch et al. (2009), the ability of the individuals employed by an organisation will have an aggregate effect on the organisation's ambidexterity. However, they posit further that, in most cases, an organisation's ambidexterity is more likely to be a function of interrelated individual and organisational factors than the summation of the individual's activities and ambidexterity. It is important to investigate contextual individual ambidexterity of the shop floor employees at the individual level of analysis, but it is much more beneficial to the body of knowledge on organisational ambidexterity when carried out alongside the organisational context, rather than without it.

Another important concept of the organisational ambidexterity construct is the timing of the benefits (financial business returns to the organisation) of each of the activities associated with the construct. As shown in Figure 3, this research suggests two components of ambidexterity; x and y.

**Figure 3: Pictorial View of Organisational Ambidexterity and its x and y Components**



**Change in time:** A function of a change in the market needs (in customers' needs and/or in business environment)

The y component ( $OA_y$ ) can be said to focus on the individual ambidexterity, while the x component ( $OA_x$ ) describes the organisational ambidexterity. The x component ( $OA_x$ ) focuses on how to transform the present explorative activities of the organisation into its future exploitative activities. Thus, the intention of the current research is to identify how individual ambidexterity of the employees contributes to organisational ambidexterity.

### **3. Research Framework, Aims and Objectives**

The aim of the current study, therefore, is to develop a framework that promotes effective innovation through shop floor employees' contributions to organisational ambidexterity, organisational innovation capability and the firm's marketing innovation capability. The objectives of this research work can be articulated, as follows:

- To identify the organisational context for Contextual Individual Ambidexterity (CIA) of the shop floor employees in Nigerian SMEs,
- To identify the impact of CIA on Organisational Ambidexterity (OA),
- To identify how OA relates to Organisational and Marketing Innovations capabilities (OMIs capabilities), and
- To determine how CIA, OA and OMIs capabilities can contribute to effective innovation in Nigerian SMEs.

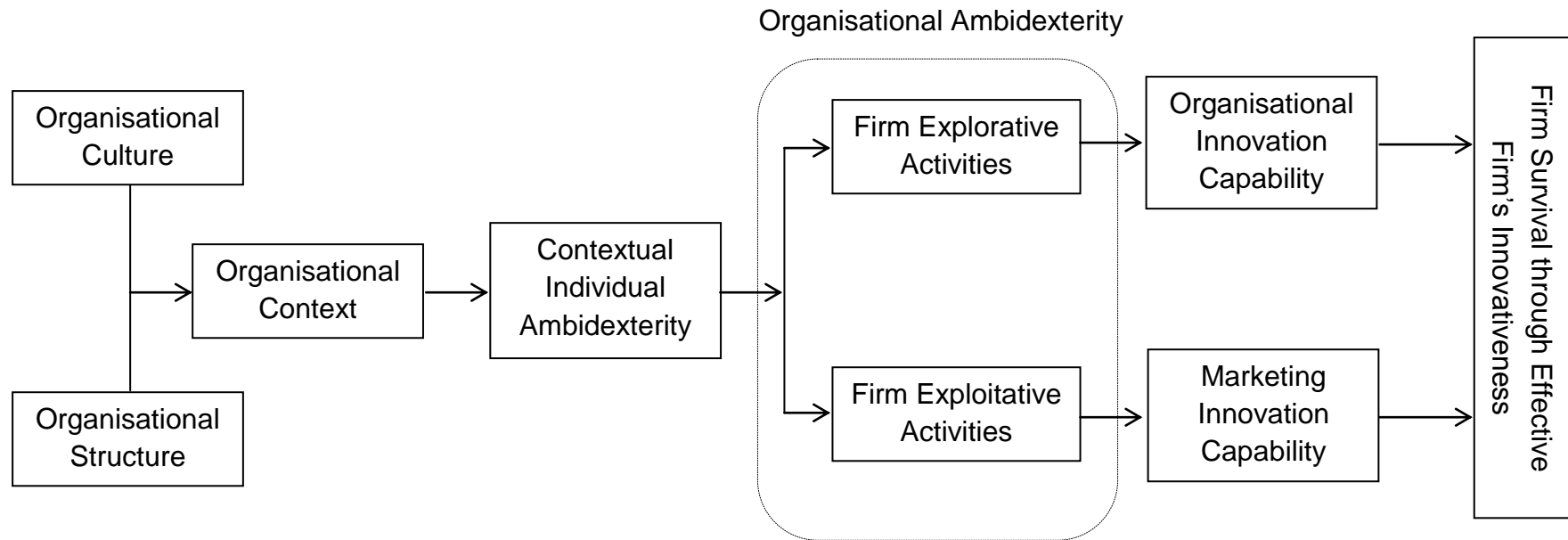
Figure 4 shows the research framework for this study. Based on the definitions of OMIs and Organisational Ambidexterity, organisational and marketing innovations can be linked to Organisational Ambidexterity, as shown in Figure 4. This suggests that Organisational Ambidexterity may be a necessary antecedent to develop the firm's OMIs capabilities.

### **4. Conclusions and Future Plans**

In this study, a two-phase sequential mixed methods design has been proposed. The first phase will involve an exploratory study through a pilot interview to understand relevant themes and constructs of OMIs. This phase is geared toward providing a clear view of the OMIs and CIA within the confine of SMEs, and to understand how the SMEs' owners and managers develop and deploy OMIs in relation to their employees' competencies and ambidexterity. The second phase will involve a confirmatory study of the first phase. The aim is to verify the findings from the first stage through descriptive and inferential statistics. Initial results and findings will be presented with the paper at the forthcoming BAM conference.



**Figure 4: Research Framework**



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