Ambidexterity and Organizational Performance of Manufacturing Firms in Enugu State, Nigeria

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Abstract: The study investigated the effect of ambidexterity on organizational performance of manufacturing firms but specifically explore the relationship between the innovative ambidexterity and market share and the effect of contextual Ambidexterity on competitive advantage. Dynamic capability theory propounded by Teece, Pisano, and Shuen, (1997) was adopted. A correlation survey research design was utilized. The population of the study is 386. The sample size of 196 was ascertained using the Taro Yamane formula. Pearson product-moment correlation coefficient was employed to test the hypotheses. The study revealed that there is a significant positive relationship between innovative ambidexterity and market share (correlation coefficient = .914, N 189, P < 0.01). It was also found that there is a significant positive relationship between contextual ambidexterity and competitive advantage (correlation coefficient = .820, N 189, P < 0.01). The study concludes that an ambidextrous firm is capable of exploiting existing competencies as well as exploring new opportunities to enhance its performance and competitiveness. It recommends that for an organization to achieve an increase in firm innovation, high market share, and long term survival, it must involve in exploration and exploitation activities.

Keywords: Ambidexterity, organizational performance, contextual, innovative

Date of Submission: 20-05-2020
Date of Acceptance: 05-06-2020

I. Background Of The Study

The concept of Ambidexterity was first developed by Robert Duncan (1976) but March (1991) introduced the paradoxical components of ambidexterity which are ‘exploration’ and ‘exploitation’ that ensure the organization remains adaptive and creative in the business environment. Ambidexterity enables organizations to adequately position themselves to exploit the opportunities in the business environment and at the same time manage their resources adequately. It also responds to meeting both short-term and long-term agendas to achieve a sustainable competitive advantage for organizations. Raischa and Birkinshaw (2008) advocated that an organization's ability to adequately compete favourable in the long run relies on its capabilities to jointly involve in exploration and exploitation activities. Exploration includes experimentation, innovation, risk-taking, discovery, flexibility whereas exploitation includes implementation, production, execution, refinement, efficiency, and selection. Organizational Ambidexterity is realized by balancing exploration and exploitation, which allows the organization to be creative and adaptable. Organizations that Centre only on exploration face the risk of wasting resources on ideas that may not prove useful or never be developed. On the other hand, Organizations that focus only on exploitation may accept status quo performance and products, and fail to reach optimal levels of success. An organization’s capacity to exploit existing assets and resources while exploring new opportunities to radically innovate its products or services is expressed in the context of organizational ambidexterity (Birkinshaw, & Gupta 2013), faced with the need to constantly respond rapidly and flexibly to the overwhelming pressures stemming from the business environment due to market globalization, changes brought by technological transitions, the short lifespan of products and services, incessant changes in preferences of customers amongst others (Umoh, Amah, & Wokocha, 2014). Organizational ambidexterity can be achieved by external vs. internal resources, sequential or/and parallel balancing between exploration and exploitation, having both structural and contextual ambidexterity and effective behavior of senior management. The ambidextrous organizations can resolve the paradoxes and gain sustainable competitive advantage.

Organizations operate in dynamic and turbulent environments encumbered with unparalleled changes emanating from the operations of competitors as well as other agents within the environment of business, for organization to survive in a competitive environment and also achieve sustainability, firms need to be equipped with requisite capabilities that will enable a strategic response to the complexities prevalent in the environment. Organizations are currently looking within and outside the business environment to strategically exploit and
explore opportunities present in the environment. Gibson and Birkinshaw (2004), reveal that every organization must maintain a balance between having sufficient exploitation activities to ensure its current viability and having adequate exploration activities to ensure its future viability. Scholars have ascertained that ambidextrous firms are more successful as a result of an ability to enhance competitiveness, growth, and productivity (Gibson & Birkinshaw, 2004; Raisch, Birkinshaw, Probst, & Tushman, 2009; Taylor & Helfat, 2009). Consequently, researchers have also demonstrated that organizations that simultaneously use both exploration and exploitation exercises have higher sales growth rates (He & Wong, 2004) and organizational performance (Raisch and Birkinshaw, 2008) than organizations with low levels in either or both of these activities. As a result of dynamic nature of the environment, firms are faced with discontinuity and rapid changes caused by technological development, disruptive innovations, intense global competition, alterations in governmental regulations, and shifts in industry structures (Beer, Voelpel, Leibold, & Tekie, 2005; Crossan, Vera, & Nanjad, 2008), which makes strategic activities a bedeviling challenge for managers. Due to this menace, most firms find it difficult to compete favourably locally and globally. The study, therefore, explores the relationship that exists between ambidexterity and performance of manufacturing firms.

1.1 Objectives of the study

The study explores the effect of Ambidexterity on organizational performance in selected manufacturing firms in Enugu state as a broad objective but specifically seeks to
1) Ascertain the relationship between innovative ambidexterity and market share.
2) Investigate the effect of contextual Ambidexterity on competitive advantage

1.2 Research Questions

To achieve the objectives of this research the followings questions were raised
1) What is the nature of the relationship between innovative ambidexterity and market share?
2) What is the extent of the relationship between contextual ambidexterity and competitive advantage?

1.3 Hypotheses

The following research hypotheses were formulated to guide the study
1) There is a significant relationship between innovative ambidexterity and market share
2) There is a significant relationship between contextual ambidexterity and competitive advantage

II. Review of Related Literature

2.1 Conceptual Clarifications

2.1.1 Ambidexterity: Over the years, several different scholars have advanced varying definitions of ambidexterity. Ambidexterity is the ability to simultaneously pursue both incremental and discontinuous innovation and change results from hosting multiple contradictory structures, processes, and cultures within the same firm” (Tushman and O’Reilly, 1996). Recently, there has been a growing body of research examining how organizations achieve ambidexterity (Raisch et al., 2009). While some research studies suggest that organizations achieve ambidexterity through organizational mechanisms, such as formal structures and lateral coordination, other researchers argue that it is within the individual’s ability to explore and exploit (Raisch et al., 2009). Ambidexterity refers to the ability of an organization to simultaneously engage in the exploitation of current organizational capabilities and exploration of future opportunities (Ketkar and Puri, 2017). Ambidexterity results in better organizational performance (Gibson & Birkinshaw, 2004; Smith & Tushman, 2005), long term success (Raisch, et al., 2009), and sustainable competitive advantage (O’Reilly & Tushman, 2008). In the context of this study, ambidexterity is proxies with innovative ambidexterity and contextual ambidexterity while performance is decomposed into market share and competitive advantage.

2.1.2 Innovative Ambidexterity: is conceptualized as the organization’s capability to exploit old certainties while simultaneously exploring new opportunities, has often been argued to be the best way for firms to organize to ensure continuous technological innovation, organizational learning and, ultimately, long-term performance and growth (Benner and Tushman 2002). Innovative ambidexterity is the ability to simultaneously pursue both incremental and discontinuous innovation (Nonaka & Takeuchi, 1995). Incremental innovation is a series of improvements to an existing product or product line that usually helps maintain or improve its competitive position overtime. It is used within the high technology business by organizations that need to continue to improve their products to include new features increasingly desired by the consumer (Wastson, Zinkhan & Pitt 2004). On the other hand, discontinuous innovation is referred to as breakthrough, radical, or disruptive, that if adopted requires a significant change in behavior. The implementation of new technologies, products, and business models that represents a dramatic departure from the current state of the art in the industry (Holmqvist & Mikael, 2004).
2.1.3 Contextual ambidexterity: is defined as a situation where each member of the organization can switch between the competing tasks of exploitation and exploration as the demand or opportunity arises. Contextual ambidexterity, firms ought to address exploitation and exploration simultaneously and internally to achieve the goal ambidexterity (Gibson, & Birkinshaw, 2004). Contextual ambidexterity is more difficult to achieve than structural ambidexterity because managing two inconsistent alignments within an organization simultaneously is far more complex than managing one consistent strategy after another. Contextual ambidexterity requires the exploitation of a current capability and exploration of a future opportunity (Ketkar and Puri 2017, Tarody 2016). This can be done by creating an organizational context, allowing organizational employees to engage in both exploration and exploitation behaviours and to determine autonomously how to divide time and energy between both behaviours (Rosing and Zacher 2017; Gibson and Birkinshaw, 2004). Contextual ambidexterity occurs within every single organizational unit without the need to have a kind of dual, separated structure. Contextual ambidexterity, in other words, depends on the organizational context in which individuals work and divide their time between exploratory and exploitative activities.

2.1.4 Market share: are a company’s sales to total industry sales for a certain period. Pearce and Robinson (2003) also use the same definition that market share is sales relative to those of other competitors in the market. Market share is usually used to express a competitive position. It is also generally accepted that increased market share can be equated with success whereas decrease market share is a manifestation of unfavorable actions by firms and usually equated with failure. Market share is a comparison of a company’s total sales to sales in that industry, usually in a particular country or region, over a specified period. Market share increases can allow a company to achieve a greater scale with its operations and improve profitability. A company can try to expand its share of the market, either by lowering prices, using advertising, or introducing new or different products (Adam, 2019).

2.1.5 Competitive advantage: it a business concept that described attributes that allow an organization to outperform its competitors (Popadiuk & Choo, 2006). In other words, competitive advantage is revealed, when activities of a given organization are more profitable than those of its market competitors or when it outperforms them as regards other significant results of activities (Huff et al., 2009), including, for example, the share in the market, product quality or technological advancement. Furthermore, Competitive advantage is defined as superior profitability (Teece, 2000). It consists of a firm’s ownership of scarce but relevant and difficult-to-imitate (knowledge) assets, especially know-how (Teece, 2007). Sigalas and Pekka-Economou (2013) have identified two streams concerning competitive advantage’s conceptual demarcation. The first stream defines competitive advantage in terms of performance, e.g. high relative profitability, above-average returns, benefit-cost gap, superior financial performance, economic profits, positive differential profits above opportunity costs, and cross-sectional differential in the spread between product market demand and marginal cost. The second stream defines competitive advantage in terms of its sources or determinants, e.g. particular properties of individual product markets, cost leadership, differentiation, locations, technologies, product features, and a set of idiosyncratic firm resources and capabilities.

2.2 THEORETICAL FRAMEWORK

The study is anchored on the dynamic capability theory credited by Teece, Pisano, and Shuen, (1997). Dynamic Capabilities theory presents path-dependent processes that allow firms to adapt to rapidly changing environments by building, marshaling, integrating, and reconfiguring their resource and capabilities portfolio (Teece, Pisano & Shuen, 1997). Thus, Dynamic Capabilities are processes that enable an organization to reconfigure its strategy and resources to achieve sustainable competitive advantages and superior performance in rapidly changing environments. DC theory was derived from the Resource Base View theory and compensated for that theory’s shortcomings when it came to explaining sustainable competitive advantage and superior performance in a dynamic environment. Teece, Pisano & Shuen (1997) defined DCs as “the firm’s ability to integrate, build, and reconfigure internal and external competencies to address rapidly changing environments”. DCs are thus “the organizational and strategic routines by which firms achieve new resource configurations as markets emerge, collide, split, evolve and die” (Eisenhardt & Martin, 2000). The basic assumption of the dynamic capabilities theory is those core competencies should be used to modify short-term competitive positions that can be used to build longer-term competitive advantage.

2.3 Ambidexterity and Organizational Performance

Most previous studies confirm that ambidextrous strategy has a positive effect on organizational performance; however, a few scholar have indicated that ambidexterity has a negative correlation with performance (Mengue & Auh, 2008). Tushman and O’Reilly (1996) indicated that ambidexterity is more likely to be successful if there are strong social control and a common culture that combines exploration and exploitation in an...
organization (Gibson & Birkenshaw, 2004). Duncan (1976) pointed out that firms need to consider a dual structure (exploration and exploitation) to be successful in the long term and as the difference between the results in the execution of innovative ideas and concepts. Tushman and O’Reilly (1996) pointed out that firms, in the process of developing new products and services, need to face complexity and high speed of environmental change, and ambidexterity implies that exploration and exploitation need to move concurrently (Vinit, & Joakim, 2016). Exploration/exploitation and performance in a general setting are typically assumed to have a positive linear relationship (Botella-Carrubi, & González-Cruz, 2019), Mengue & Auh, (2008). When an organization performs exploration and exploitation actions, it not only improves its operational efficiency (profitability, productivity, and market share), but also promotes innovative performance (environmental adjustment, new market development, new product development, and flexibility). In accordance with studies on organizational ambidexterity, this study divides organizational performance into three categories: growth/share (sales level, target market share, and growth rate); organizational effectiveness (customer retention, new product success, and relative product quality); and profitability (return on investment (ROI), gross margin, and return on equity (ROE)/(Rothaermel, & Alexandre, 2009). Firms in a competitive context with limited resources and industrial development will devote themselves to seeking opportunities for growth and promoting innovation (Botella-Carrubi, & González-Cruz, 2019). Hurley & Hult (1998). The best firms are those that are ambidextrous, capable of refining and improving current activities to reproduce success (exploitation) while developing completely new activities that instil variety into the firm (exploration) (March, 1991, Raisch and Birkinshaw, 2008; Tushman and O’Reilly, 1996). O’Reilly and Tushman (2008) are similarly minded, specifying that “the long-term survival of the firm is the sine qua non of organizational ambidexterity”. Gupta et al. (2006) are more ambiguous on this matter, arguing that a plausible case exists for specialization as a viable alternative route to long-term survival if the trade-off between exploration and exploitation is insurmountable. Chia; Yung & Homin (2013) advocated that ambidexterity promotes a firm’s performance. Zedong; Jie & Chenlu (2014) argue that the interaction of exploitation and exploration has a negative effect on firm performance in a firm with responsive market orientation whereas it has a positive effect on a firm with proactive market orientation. Na Fu, & Tim (2016) found that the link between ambidexterity and performance is stronger where firms have a higher level of organizational capital. Qing, Eric, & Hongping (2009) these results indicate that managers in resource-constrained contexts may benefit from a focus on managing trade-offs between exploration and exploitation demands, but for firms that have access to sufficient resources, the simultaneous pursuit of exploration and exploitation is both possible and desirable.

III. Methodology

The study employed correlation survey design because the study determines the nature of the relationship that exists between two variables. The population of the study consists of the three manufacturing firms in Enugu which includes Juhel Nigeria Ltd, Innosontechical & industrial Ltd, and Emenite limited with the total population of 386. Taru Yamane formula was used to determine the sample size which is 196. The proportional sampling techniques were adopted. Data were sourced using questionnaire. The items of the questionnaire were structured on a 5 point Likert scale. Out of 196 copies of questionnaire administered, 189 were found useful for the analysis. Content and construct validity were used to validates the instrument while the reliability of the instrument was tested using Spearman Brown Split Half. The coefficient alpha of the questionnaire were 0.858, indicating that the variables of the questionnaire were highly reliable. The research questions were analyzed using Mean Score and Standard Deviation. The hypotheses were tested using the Pearson Product Moment Correlation Coefficient.

IV. Data Presentation And Analysis

Test of hypothesis

Table 4: 1 There is a significant relationship between innovative ambidexterity and market share

<table>
<thead>
<tr>
<th>INNO AMB</th>
<th>MKT SHAR</th>
<th>INNO AMB</th>
<th>MKT SHAR</th>
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<tbody>
<tr>
<td>Pearson correlation</td>
<td>1</td>
<td>.914**</td>
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<tr>
<td>Sig. (2- tailed)</td>
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<td>.000</td>
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<tr>
<td>N</td>
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<tr>
<td>MKT SHAR</td>
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</table>

**Correlation is significant at the 0.01 level (2-tailed)

Field Survey 2020, SPSS Ver, 20

DOI: 10.9790/487X-2206012126 www.iosrjournals.org 24 | Page
Table 4.1 shows the p-value (0.000) is less than 0.01 (at 2-tailed test) meaning that innovative ambidexterity (INNO AMB) and market share (MKT SHAR) are positively related to each with the correlation coefficient of 0.914. This implies that the increase of innovative ambidexterity will also lead to an increase in market share. The result shows that the research hypothesis is accepted which states that innovative ambidexterity is positively related to market share.

Table 4: 2 There is a significant relationship between contextual ambidexterity and competitive advantage

<table>
<thead>
<tr>
<th>CONT AMB</th>
<th>COM ADV</th>
</tr>
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<tbody>
<tr>
<td>Pearson correlation</td>
<td>.820**</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.000</td>
</tr>
<tr>
<td>N</td>
<td>189</td>
</tr>
</tbody>
</table>

**Correlation is significant at the 0.01 level (2-tailed)

Field Survey 2020, SPSS Ver, 20

The Pearson correlation table shows the strength of the relationship between the variables which are contextual ambidexterity and competitive advantage. The finding reported that a significant positive relationship between contextual ambidexterity and competitive advantage (correlation coefficient = .820, N 189, P < 0.01); thus the result shows that the research hypothesis is accepted which states that innovative ambidexterity is positively related to market share.

V. Discussion Of The Findings

The result revealed that there is a significant positive relationship between innovative ambidexterity and market share; this implies that an increase in innovative ambidexterity will also result in increase in market share. An organization should capture the simultaneous pursuit of discontinuous innovations, which aim at entering new product-market domains, as well as incremental innovations, which aim at improving existing product-market positions (He and Wong, 2004). The finding agrees with the work done by Anh, Huong, Bien &Tuyen (2019), they advocated that innovation has a positive effect on firm profitability. Howell, (2018); Rajapathirana&Hui, (2018); Spescha&Woerter, (2018) their study documented that innovation brings the financial value to firms and this, in turn, enhance firm performance.

The study also advocated that there is a significant positive relationship between contextual ambidexterity and competitive advantage. An organization should create a context that encourages members to make their judgment, how to best divide their time between the conflicting demands of exploration and exploitation which is crucial for building an ambidextrous organization (Haveli et al, 2015). To achieve contextual ambidexterity organization should balance exploration and exploitation at a firm unit-level to presume organizational capabilities which facilitate superior performance and thus sustain competitive advantage (Gibson &Barkinshaw, 2007).

5.1 Summary of findings

1) The result revealed that there is a significant positive relationship between innovative ambidexterity and market share (correlation coefficient = .914, N 189, P < 0.01)
2) The finding also shows that there is a significant positive relationship between contextual ambidexterity and competitive advantage (correlation coefficient = .820, N 189, P < 0.01)

5.2 Conclusion and Recommendations

Ambidexterity enables organizations to adequately position themselves to exploit the opportunities in the business environment and at the same time manage their resources adequately. The organization’s success hinges on its ability to exploit its current capabilities while simultaneously exploring fundamental new competencies. An ambidextrous firm is capable of exploiting existing competencies as well as exploring new opportunities to enhance its performance and competitiveness. The study recommends that for an organization to achieve an increase in firm innovation, high market share, and long term survival, it must involve in exploration and exploitation activities. Managers should engage in the exploitation of current organizational capabilities and exploration of future opportunities to create, maintain, and sustain a competitive position.

DOI: 10.9790/487X-2206012126 www.iosrjournals.org 25 | Page
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