

**SUSTAINABLE AMBIDEXTERITY: CREATING SHARED VALUE THROUGH ENGAGING PARADOX**

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### **ABSTRACT**

The pressure for delivering both economic and societal results shifted the basis of competition worldwide and how organizations should be managed. Therefore, strategies developed to explore resources, generate profits and support growth in the long term would also need to be renewed so multinational enterprises are able to create shared value. This approach proposes multinational enterprises to recognize social and environmental issues as business opportunities. However, as those intrinsically involve a paradox, organizational ambidexterity reveals to be an answer for multinational enterprises to engage such contradictions. We argue in this manuscript that through sustainable ambidexterity, multinational enterprises are able to reach synergies between different activities that are, in essence, contradictory. Therefore, sustainable ambidexterity may allow multinational enterprises to overcome traditional strategies and create shared value in an environment which permits failure and the combination of existing resources for exploiting sustainable initiatives with actions for exploring new opportunities. We also explore a framework that sets the basis for further developments of this research stream.

**KEYWORDS:** ambidexterity; dynamic capabilities; sustainability; shared value.

## 1. INTRODUCTION

In their awarded and well-recognized article, Porter and Kramer (2011) settled the arena for a discussion that challenged Friedman's doctrine which defends that a firm's role in society is mainly to generate profits within the law. Besides the later remaining influence in multinational enterprises (MNEs)'s around the word (Rathert, 2016), shared value creation is being disseminated and accounts to relevant initiatives of big corporations to generate not only economic value, but also to contribute to social and environmental issues in the meantime.

Despite the critics (Crane et al., 2014) and further improvement suggestions (de los Reyes, Scholz, & Smith, 2017), Porter and Kramer's creating shared value (CSV) claims the establishment of a new value system where businesses participate actively in contributing to the solving of the critical - and challenging - societal and environmental crisis where humanity finds itself nowadays. CSV proposes companies to recognize social and environmental issues as business opportunities, therefore generating double externalities while accomplishing its main purpose - to increase profit margins. As the authors postulate (Porter & Kramer, 2011:64), CSV "can give rise to the next major transformation of business thinking".

The pressure for delivering both economic and societal results shifted the basis of competition worldwide and how organizations should be managed. Therefore, strategies developed to explore resources, generate profits and support growth in the long term would also need to be renewed so MNEs are able to create shared value. In our view, organizational ambidexterity fits in this debate as managers and organizations face an important dilemma: "in the short run, they must constantly increase the fit or alignment of strategy, structure and culture" (Tushman & O'Reilly, 1996) through incremental innovations; at the same time, in the long term, they may be required to realign their organizational strategy and, sometimes, destroy what was their main asset.

As Tushman and O'Reilly (1996) suggest, "ambidextrous organizations are needed if the success paradox is to be overcome". We add that those are even more important if a sustainable success is at a stake. Hahn and colleagues (2016) propose that ambidexterity is an important antecedent of corporate social performance for enabling firms to concurrently pursue conflicting but interrelated demands. Gao and Bansal (2013) also add to the nascent literature that argues that for firms to achieve high social performance, they need to accept and embrace tensions inherent to social issues

Summarily, for Tushman and O'Reilly (1996), ambidexterity is the ability to balance both incremental and discontinuous innovations and change results while contradictory structures, processes, and cultures coexist within the same firm. On the other hand, Hahn et al. (2016) affirm that the basic idea of ambidexterity is that firms are constantly exposed to contradictory demands, and those that succeed at engaging paradox will be more successful. Creating shared value also defy MNEs with competing demands and a sustainable ambidexterity can be a way for MNEs to answer strategically to them.

Raisch et al. (2009) sustain that past studies on organization science already suggested that long-term success relies on a company's ability to explore its current capabilities while trying to acquire or develop new ones. We follow their thoughts, recommending that MNEs need to demonstrate sustainable ambidexterity to truly embed sustainability in their core strategy and deliver shared value. Here we define, based on what was initiated by Thambusany and Salam (2010) in a recent working paper, sustainable ambidexterity as a firm's ability to simultaneously achieve alignment and adaptability in its CSV initiatives.

Alignment relates to coherence and linearity among CSV initiatives and their exploitation to achieve corporate and societal goals. Adaptability, contrarily, refers to a MNE's capability to transform its activities to explore new opportunities to create shared value in a dynamic environment. Therefore, in order to capture benefits from CSV initiatives, MNEs do not only need to align their corporate strategy with sustainable values but also to adapt constantly their business operations to the changing social and environmental demands.

The former is important to the exploitation of CSV initiatives, while the later is mandatory for exploring new opportunities to act in social and environmental initiatives (Gupta, Smith, & Shalley, 2006). Ambidexterity in this article follows the definition proposed by Simsek et al. (2009:865), that is a firms' "ability to perform differing and often competing, strategic acts at the same time". In this context, research on ambidexterity sheds light on firm's capability to combine exploratory and exploitative learning, finding a balance that can lead to competitive advantages and a dynamic adaptation to novel situations.

Here we suggest that dynamic capabilities not only enable a firm to conceptualize a sustainable strategy and generate shared value directly but also through its sustainable ambidexterity. "In organizational terms, dynamic capabilities are at the heart of the ability of a business to be ambidextrous – to compete simultaneously in both mature and emerging markets – to explore and exploit". (O'Reilly & Tushman, 2008:190)

Teece et al. (1997:516) define dynamic capabilities as a "firm's ability to integrate, build, and reconfigure internal and external competencies to address rapidly changing environments". According to O'Reilly and Tushman (2008), those capabilities are embedded in organizational routines, structures, processes; reflecting how organizations prepare themselves to compete in their environment.

However, the research on this topic still lacks clarity on which are those routines and these authors go further and raise the question (2008:188): what are those repeatable routines and competencies that are associated with effective short-run competition in mature markets and technologies and in the long-term through adaptation to new markets/technologies? Building on paradox and ambidexterity literature, in this theoretical article we note this call and aim to contribute to the nascent stream of literature that adopts these approach to deeply understand corporate conduct relating to social and environmental issues (Gao & Bansal, 2013; Hahn et al., 2016; Sharma & Bansal, 2017)

## **2. PREVIOUS STUDIES**

Scandelari and Cunha (2013) touch ambidexterity and sustainability aiming to understand the relationship between the first and organizational performance in social and environmental dimensions. With empirical data from 131 companies in the electro-electronic industry, the authors found that ambidextrous organizations presented the best results on social and environmental performance. Slawinski and Bansal (2015) research findings suggest several practices that could be explored by firms to routinize their processes and practices and internalize ambidexterity for a sustainable performance: introducing qualitative data into quantitative decisions, engage a broad range of stakeholders, and collaborate with outsiders.

Hahn et al. (2016) also brought the concept of organizational ambidexterity and paradox to this context, discussing the rationales that trigger initiatives to increase corporate social performance: moral and instrumental rationales. Essentially contradictory, the authors develop the idea that firms can achieve higher levels of corporate social performance through its ambidextrous ability to simultaneously pursue instrumentally and morally driven social initiatives.

Du and colleagues (2013) contribute to the literature providing a process and integrated model on how to achieve a balance between sustainability and financial imperatives, using the concept of boundary management. For them, “without ambidexterity, organizations will naturally succumb to homogeneous development that focuses on either sustainability or profitability.” However, while it is relevant and critical, achieving it demands organizational routines and capabilities to be developed so the tendency to polarize decisions is avoided (O’Reilly & Tushman, 2008).

With this manuscript, we intend to add to the previous literature, suggesting a new type of organizational ambidexterity: sustainable ambidexterity. The idea is developed in the sequence, combining dynamic capabilities, routines and paradox literature to give basis to this new concept, to be further explored and tested.

### **3. DYNAMIC CAPABILITIES AT THE CORE**

As evidenced by Du et al. (2013:14), ambidexterity is “also relevant to the context of dynamic capability. Since ambidexterity assists organizations to adapt to a fast-changing market, it is commonly recognized as an indispensable component of dynamic capabilities”.

MNEs consist of a set of capabilities that together correspond to assets and competencies that are exclusive and off difficult replication (Teece, 2007). Among these are the dynamic capabilities that stand out for providing MNEs with the possibility to reach new and innovative kinds of competitive advantage, given an innovation pathway and a market position (Leonard-Barton, 1992).

Therefore, dynamic capabilities refer to an approach in strategy literature which aims to explain inter-firm performance differentials, which supplanted static theories emphasizing how some MNEs recombine and integrate resources to adapt to changes in their environment (O’Reilly & Tushman, 2008). This research stream is centered in a firms’ ability to seize opportunities through the recombination and integration of both new and existing assets, being considered by Winter (2003) as high-level routines or processes.

Those can be characterized by three groups of activities and adjustments (Teece, 2007): identification and assessment of an opportunity – sensing; mobilization of resources to address an opportunity and to capture value from doing so – seizing -; and continued renewal of core competences – transforming.

According to O’Reilly and Tushman (2008), those capabilities are embedded in organizational routines, structures, processes; reflecting how organizations prepare itself to compete in their environment. In this sense, the authors identify those competences and routines that make ambidexterity possible, revealing themselves critical elements in sustainable competitive advantage. They emphasize that ambidexterity is not a structural characteristic but comprises a set of senior team decisions including structure, linking mechanisms, cultures, and senior team processes.

Vogel and Güttel (2012), in a bibliometric study on dynamic capabilities research, identified a research stream related to ambidexterity. Mostly, studies on this field deal with antecedents and consequences of ambidextrous learning, focusing on the balance of flexibility and efficiency, stability and change, incremental and radical innovation or exploration and exploitation. The authors also emphasize the recency of this field of research.

As aforementioned, in this manuscript, we consider sustainable ambidexterity a high-order dynamic capability. However, in accordance with O’Reilly and Tushman (2008), ambidexterity as a dynamic capability facilitates new resource configurations, but alone does not provide a MNE with a sustainable competitive advantage.

In this sense, sustainable ambidexterity requires a set of competencies, structures, routines and processes for MNEs to engage in alignment activities, while also exploring adaptability activities with a different combination of the same attributes coexisting in an ambiguous – and, sometimes, symbiotic – relationship.

Thus, in this context, sustainable ambidexterity is composed of a set of routines that allow MNEs to identify opportunities and threats and reconfigure internal assets, adapting to those. O'Reilly and Tushman (2008) offer a set of senior team processes and actions that enact the integration and recombination of resources that allow firms to simultaneously execute exploitation and exploration, comprising ambidexterity as a dynamic capability.

Additionally, the authors identify that “it embodies a complex set of routines including decentralization, differentiation, targeted integration, and the ability of senior leadership to orchestrate the complex trade-offs that ambidexterity requires”. Not clearly explored, however, are the capabilities – and, consequently, the routines – embedded in sustainable ambidexterity inside organizations opening a clear venue for future research.

#### **4. AMBIDEXTERITY, PARADOX AND ROUTINES**

Sharma and Bansal (2017: 343) affirm that some firms engage paradoxes, that is, they “see beyond the contradictions, accept their persistence, and identify interdependencies”. By engaging paradoxes, firms are able to create outcomes in a long term. As the same authors posit, this is particularly relevant in paradoxes inherent to social issues. When firms engage in commercial-social paradoxes, they are exposed to new ways of improving organizational performance and safeguarding long-term survival in a sustainable way.

Comprehending how organizations navigate paradoxes over time has important consequences for “some of the toughest social and environmental issues, which neither private or public sector can solve alone” (Sharma and Bansal, 2017). In line with this thought, as suggested by Du, Pan and Zuo (2013), a process perspective is relevant to understand ambidexterity under the concept of sustainability. Previous research has mainly focused on antecedents and not on how a sustainable ambidexterity is developed. Raisch, et al (2009) reinforce the need for a longitudinal perspective of organizational ambidexterity, which can be easily performed under a process view.

Boundary management, a concept constantly explored when it comes to ambidexterity, is relevant in this context. According to Carlile (2002), a practice theorist, boundaries are rooted in a set of practices, and are necessary so the exploitation is not affected by exploration and knowledge accumulation within each would not be disrupted.

Feldman and Pentland (2003) defined organizational routines as “repetitive, recognizable patterns of interdependent actions carried out by multiple actors”, where routines may consist of “abstract regularities and expectations that enable participants to guide, account for, and refer to specific performances of a routine (understandings of the participants)” – its ostensive aspect – and of “actual performances by specific people, at specific times, in specific places” – and its performative aspect.

Carayannis et al. (2017) reinforces that the effectiveness of such practices for achieving higher performance and a competitive advantage result from the commitment of organizations to defy itself in terms of its skills and how the routines, roles and activities designated for exploitation and exploration are integrated in the organization processes.

## 5. SUSTAINABLE AMBIDEXTERITY

As Raisch et al. (2009) findings suggest, ambidexterity is likely to be positively related to corporate reputation. We argue that through sustainable ambidexterity, MNEs are able to reach synergies between different activities that are, in essence, contradictory. That is, MNEs are capable of engaging commercial-social paradox, a classic dilemma of enhancing wealth while promoting sustainability (Starkey & Crane, 2003), and deliver shared value.

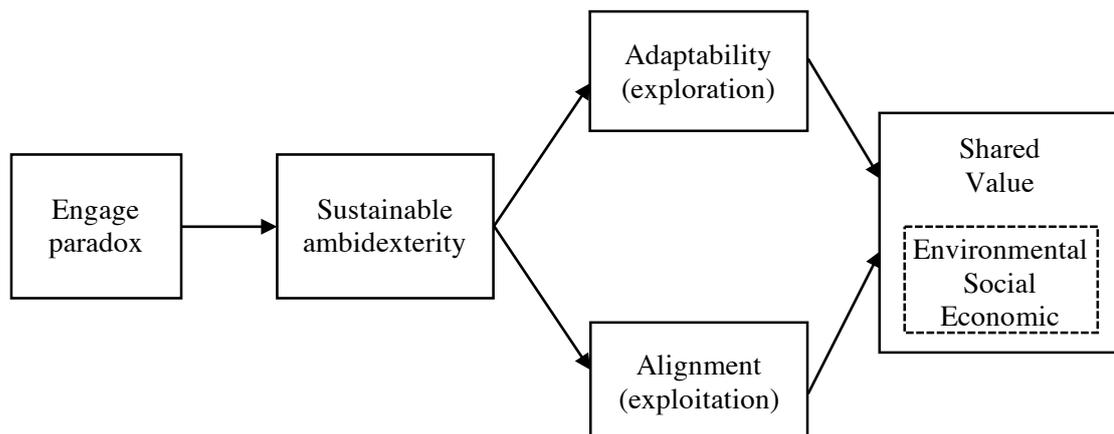
Slawinski and Bansal (2015) clearly posits that a paradox lens, which helps understanding how tensions are managed, is suited to deal with complexities related to managing tensions surrounding sustainability. If MNEs instead of struggling, accept tensions and engage paradox around sustainability issues, then, in the long run, an alignment among societal demands and business goals tend to be developed.

We suggest that MNEs need to embrace sustainable ambidexterity to truly embed sustainability in their core strategy and deliver shared value. Hence, we define sustainable ambidexterity as a firm's ability to simultaneously achieve alignment and adaptability in its CSV initiatives. Alignment relates to coherence and linearity among CSV initiatives and their exploitation to achieve corporate and societal goals. Adaptability, contrarily, refers to a MNE's capability to transform its activities to explore new opportunities to create shared value in a dynamic environment.

Therefore, in order to capture benefits from CSV initiatives, MNEs do not only need to align their corporate strategy with sustainable values but also to adapt constantly their business operations to the changing social and environmental demands. Alignment is important for the exploitation of CSV initiatives, while adaptability is mandatory for exploring new opportunities to act in social and environmental initiatives (Gupta, Smith, & Shalley, 2006).

According to March (1991), exploration is defined as experimentation with new alternatives involving the search for new organizational routines and the discovery of new approaches, processes, technologies, etc.; while exploitation is associated with refining and extending existing competences and technologies. Therefore, sustainable ambidexterity can be considered a high-order dynamic capability which enables MNEs to continuously navigate between exploration and exploitation capabilities, that is, adaptability and alignment in order to create shared value – as shown in Figure 1.

**Figure 1.** Sustainable Ambidexterity Framework



## 6. FURTHER STEPS

CSV proposes MNEs to recognize social and environmental issues as business opportunities. As societal issues normally imply paradoxical decisions inside organizations, we suggest that ambidexterity is a relevant concept if a sustainable success is at a stake. In order to engage paradox, instead of struggling with it, we argue that through sustainable ambidexterity, MNEs are able to reach synergies between different activities that are, in essence, contradictory.

Hence, we define sustainable ambidexterity as a firm's ability to simultaneously achieve alignment and adaptability in its CSV initiatives. Treated here as a high-order dynamic capability, sustainable ambidexterity requires a set of competencies, structures, routines and processes to allow the coexistence of both processes. Nevertheless, our intention with this manuscript was not to dive deeper on such details, but to set the basis to further understand the routines and processes embedded in the engaging paradox of sustainability while combining alignment and adaptability activities.

As far as we recognize that sustainability issues cannot be easily solved, we believe that sustainable ambidexterity will allow MNEs to overcome traditional strategies and create shared value in an environment which permits failure without compromising the entire organization while combining the use of existing resources for exploiting sustainable initiatives with actions for exploring new opportunities.

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