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Learning to Innovate: How Does Ambidextrous Learning Matter to Radical and Incremental Innovation capabilities?

Maggie Qiuzhu Mei

Copenhagen Business School
INO
mm.ino@cbs.dk

Keld Laursen

Copenhagen Business School
INO
kl.ino@cbs.dk

Abstract

To manage evolutionary and revolutionary change, firms need to engage in ambidextrous learning ? engaging in exploitation which extends current knowledge for efficiency and reliability, and also in exploration which entails development of new knowledge to foster novelty and flexibility (Atuahene-Gima, 2005; March, 1991; O'Reilly and Tushman, 2004; Tushman and O'Reilly, 1996). Following Tushman and O'Reilly (1996), an ambidexterity hypothesis where a simultaneous pursuit of both exploration and exploitation will improve firm performance and survival has been established (e.g., He and Wong 2004, Gibson and Birkinshaw 2004, Lin et al. 2007, Rothaermel and Alexandre 2008). Ambidexterity, defined as the capacity of a firm to pursue exploitative and explorative learning concurrently, has gained significant momentum recently (e.g., Jansen et al. 2006, Lavie and Rosenkopf 2006, Lubatkin 2006). Scholars are enthusiastic to both define the concept of ambidexterity and examine its effect on firm performance (for a review, see Raisch and Birkinshaw 2008). Although the contributions of previous studies are substantial, there exists a significant lacuna in the literature. The fundamental argument of the ambidexterity hypothesis is, as suggested by Tushman and O'Reilly (1996), that the ambidextrous firms are able to establish competitive advantage by producing a continuous stream of innovation, encompassing both incremental and radical innovations (also, see He and Wong 2004). Thus, how a firm?s ambidextrous learning affects its incremental and radical innovation capabilities is central to the ambidexterity hypothesis. So far, there is little evidence about the role of ambidexterity in a firm?s innovation capability (A relevant study is Tushman et al. (2010), where the authors have examined a link between ambidextrous organization design and number of innovations. Also, He and Wong (2004) recognizes the significant relevance of the innovation outcomes, but the authors incorporate the innovation outcomes, measured by product innovation intensity and process innovation

intensity, as path controls).

We apply the logic of organizational learning and the knowledge based view (Grant 1996) to study how ambidexterity affects a firm's innovation capability. We unpack ambidexterity into two dimensions, level and balance, and link empirically the level and balance of ambidexterity to incremental and radical innovation capability. Using survey data from a sample of high technology firms in China, we find that incremental innovation capability is driven by the level of ambidexterity while radical innovation capability benefits from the balance of ambidexterity. We also find that concurrent of high level of both dimensions yield synergistic benefits. The paper is organized into five sections. The first section defines the key concepts and develops hypotheses. The next two sections outline the data and describe the model. The fourth section reports the results and the final section contains the discussion and conclusions.