

## **Ambidextrous Corporate Venturing: The Spin-Along Approach**

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### **Abstract**

This paper applies theory of ambidextrous organization to corporate venturing, thereby introducing a novel perspective on this issue – one that regards venturing not only as a tool for innovation and exploration but also for exploitation seen from the corporate level. In order to achieve this aim, the paper develops a conceptual model called ‘Ambidextrous Corporate Venturing’ (ACV-model).

In addition, this paper explores the application of the ‘Spin-Along Approach’ as a practice phenomenon that combines activities of internal and external venturing as a new type of venturing. It combines the idea of spinning out and in, in order to combine the advantages associated with large corporations with those of small start-up firms to reap the ‘best of both worlds’. We suggest that in this new type of venturing there lies the possibility of fostering short term efficiency and long term adaptability, and thus of resolving the ‘Innovators Dilemma’. In other words, the ‘Spin-Along Approach’ appears to be a practical method to achieve ambidexterity.

In sum, this paper explores two essential and testable propositions for further studies on this topic: first, that an effective way to realize long-term success, especially in dynamic environments, is a new form of corporate venturing that we call ‘Ambidextrous Corporate Venturing’ (ACV-model); second, that the best way of realizing this new form of venturing in practice could be the ‘Spin-Along Approach’. The main aim of this paper is the conceptualization of the topic and preparation of a theoretical background of the ‘Spin-Along Approach’ for further empirical research.

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## 1 Introduction

More than thirty years ago, Abernathy (1978) suggested that a firm's focus on productivity gains inhibited its ability to innovate. He called this the 'Productivity Dilemma'. How do organizations resolve this Dilemma? Underlying this research is a rich debate about whether organizations can succeed in both – realizing short term efficiency and long term adaptability simultaneously. March (1991) described this contradiction in his work on exploitation and exploration and characterized both activities as fundamentally contradictory organizational processes. Since then, these two terms have increasingly come to dominate organizational analyses of technological innovation, organizational design, organizational adaptation, organizational learning, competitive advantage, and organizational survival (cf. Raisch and Birkinshaw 2008). Duncan (1976) states that organizations must introduce a dual structure to optimize both these activities, and he first introduced the term of 'Ambidextrous Organization' within this context. Accordingly, if an organization is able to do both, it can constructively be described as embodying the metaphor of ambidexterity, which refers to an individual's ability to use both their hands with equal skill. Thus defined, ambidextrous organizations are capable of exploiting existing competencies as well as exploring new opportunities with equal dexterity.

This paper intends to combine the theory of Ambidextrous Organization with the practice-oriented view of corporate venturing. In the academic literature, corporate venturing is primarily regarded as an important way of fostering innovation, namely, creating a window on new technologies and supporting entrepreneurship within a corporate context (e.g. Burgelman 1983a, 1983b, 1985, Campbell et al. 2003, Chesbrough 2000, Christensen 2004, Dushnitsky and Lenox 2006, Keil 2004, Roberts and Berry 1985, Schildt et al. 2005, Zahra 1996). Although different definitions exist, corporate venturing is normally used to describe activities involved in entering a new business, either by expanding operations in existing or new markets. This can be achieved internally (by creating dedicated teams or units), or externally, (by founding or investing in start-up companies) (Keil 2004, Miles and Covin 2002, von Hippel 1977). In fact, the combination of internal and external venturing is a phenomenon that can readily be observed in practice in many large corporations, such as Deutsche Telekom or Cisco Systems (McJunkin 2000, Rohrbeck et al. 2009). In accordance with Rohrbeck et al. (2009), we call this combination the 'Spin-Along Approach', and explain how it represents a new way of structuring corporate venturing. The 'Spin-Along Approach' can also be characterized as spinning out and in, which leads to the situation in which the boundaries between the different firms increasingly dissolve (Picot et al. 2008).

With regard to organizational research, this paper addresses two gaps in the literature: firstly,

the lack of research on the question of if and how the theory of Ambidextrous Organization can be applied to the theory of corporate venturing; and secondly, the lack of research in organizational theory on the theoretical background behind the ‘Spin-Along’ phenomenon.

Consequently, the fundamental research question motivating this paper is how the theory of Ambidextrous Organization may be applied to corporate venturing. Thus, we extend the literature by developing a model of ‘Ambidextrous Corporate Venturing’ (ACV-model) that also serves as a conceptual background for planned further studies. As a result, the work addresses two essential testable propositions:

Proposition 1: An effective way to solve the ‘Innovator’s Dilemma’ and thereby have long term success is the application of this new form of corporate venturing, namely ‘Ambidextrous Corporate Venturing’.

Proposition 2: The best way of realizing this new form of venturing in practice could be the application of the ‘Spin-Along Approach’.

This paper proceeds in four sections. In the next section, the theoretical stage will be set through a review of the literature on the ‘Innovator’s Dilemma’ and the ‘Ambidextrous Organization’. This serves as the theoretical background for the further work on the ACV-model. The second section contains a review of the literature on corporate venturing and concludes with an introduction of the ‘Spin-Along Approach’ as a practical phenomenon, in which internal and external venturing are combined. Moreover the core elements of a ‘Spin-Along’ are specified within the context of corporate venturing research. The third section summarizes the results of the literature review, in order to develop the ‘Ambidextrous Corporate Venturing’ model (ACV-model). Here, we demonstrate that the theory contains several indicators that suggest that the ‘Spin-Along Approach’ may be the best means of realizing ambidextrous corporate venturing. In the last section, we summarize the results of this research project, and revisit the research question and the propositions against the background of the ACV-model.

## **2 The ‘Innovator’s Dilemma’ and the ‘Ambidextrous Organization’**

### **2.1 Research on Ambidextrous Organization**

As mentioned above, it appears to be difficult for organizations to focus on both short-term and long-term success, to be successful in both monetizing existing products and developing new products. Abernathy (1978) describes this as the ‘Productivity Dilemma’. Similarly Christensen (1997) examines how disruptive technologies undermine an established firm’s

competitive position by offering a cheaper and often less sophisticated alternative that is 'good enough' for most customers. He calls this the 'Innovator's Dilemma'. Christensen is pessimistic about the ability of organizations to both exploit and explore at the same time (Christensen and Bower 1996) and argues that attempts to pursue both strategies simultaneously result in firms being 'stuck in the middle' (Porter 1980) or being mediocre at both.

In contrast, recent studies in organizational research have discovered that it may be possible to resolve the 'Innovator's Dilemma' (Gupta et al. 2006, Hill and Birkinshaw 2006, Lubatkin et al. 2006, O'Reilly and Tushman 2007). The ideas proposed by these studies can be grouped under the umbrella term of 'Ambidextrous Organization' theory, which represents a new research stream in organization theory. In this literature, ambidexterity generally refers to an organization's ability to pursue two disparate objectives simultaneously – such as being both efficient and flexible at the same time (Adler et al. 1999).

To begin with, both of the different dimensions of ambidexterity – exploitation and exploration – must be examined more thoroughly, if a better understanding of ambidexterity is to be achieved.

| <b>Alignment of:</b>    | <b>Exploitative Business</b>                   | <b>Exploratory Business</b>                         |
|-------------------------|--|---|
| <b>Strategic Intent</b> | cost, profit                                   | Innovation, growth                                  |
| <b>Critical tasks</b>   | operations, efficiency, incremental innovation | adaptability, new products, breakthrough innovation |
| <b>Competencies</b>     | operational                                    | entrepreneurial,                                    |
| <b>Structure</b>        | formal, mechanistic                            | adaptive, loose                                     |
| <b>Controls</b>         | margins, productivity                          | milestones, growth                                  |
| <b>Culture</b>          | efficiency, low risk, quality, customers       | risk taking, speed, flexibility, experimentation    |
| <b>Leadership role</b>  | authoritative, top down                        | visionary, involved                                 |

Figure 1: Exploitative and Exploratory Business (O'Reilly and Tushman 2004).

Figure 1 illustrates the contradictory nature of exploitative and explorative businesses. A number of studies assume that these two business models are fundamentally incompatible, and that ambidexterity can only refer to the management of this trade-off between the two ends of a continuum (Benner and Tushman 2002, 2003, Gibson and Birkinshaw 2004, He and Wong 2004, Tushman and O'Reilly 1997). March (1991, 1996, 2006) provides several arguments that support this opinion. Firstly, exploitation and exploration compete for scarce resources. Secondly, he assumes that both exploitative and explorative businesses are

iteratively self-reinforcing; moreover, the mind sets and organizational routines associated with these two extreme types are fundamentally different.

In contrast with March, recent scholarship on this topic indicates that an alternative understanding of the situation may be possible. Katila and Ahuja (2002) find empirical support for their prediction, that the interaction between exploitation and exploration can positively influence new product development. Departing from March's notion that exploitation and exploration are essentially competing phenomenon, they conceptualized these types of business activity as orthogonal, i.e. as independent variables. Other recent studies (Baum et al. 2000, Beckman et al. 2004, Gupta et al. 2006) have also chosen to treat exploitation and exploration as simultaneously achievable activities.

In general it is noteworthy that the amount of academic papers on this topic has grown rapidly in the last several years. For an overview of the latest research on ambidexterity see table 1 in the appendix.

## **2.2 Structural vs. Contextual Ambidexterity**

Initially, scholars interested in organizational research on ambidexterity typically viewed ambidexterity in structural terms. According to Duncan (1976), who introduced the term ambidexterity in organization literature, firms manage trade-offs between conflicting demands by putting in place 'dual structures' (p. 167). According to Gibson and Birkinshaw (2004), this concept can also be described as 'structural ambidexterity'. In line with this view, March (1991) analyzes the relation between exploitation and exploration in organizations, and focuses on the trade-off between the two. These works by Duncan (1976) and March (1991) have increasingly come to dominate the literature on innovation, organizational design, organizational learning, competitive advantage and organizational survival (Benner and Tushman 2003, Burgelman 2002, Gupta et al. 2006, Katila and Ahuja 2002, McGrath 2001, Raisch and Birkinshaw 2008, Siggelkow and Levinthal 2003). The above-mentioned scholarship regards ambidexterity as a structural matter, from the perspective of the organization as a whole. In their empirical study on ambidexterity, for example, O'Reilly and Tushman (2004) discovered that some companies separate their new, exploratory units from their traditional, exploitative ones, in order to allow the development of different processes, structures, and cultures.

In contrast to this view, Gibson and Birkinshaw (2004) propose contextual ambidexterity – a concept that is not primarily dependent on organizational structures. They observe that there is a growing recognition of the role of the processes and systems presented in a given context in the ability of a firm to achieve ambidexterity: “[t]hese processes and systems are important

because they provide an alternative way of developing the capacities that architectures or structures are intended to create” (p. 209). From these insights, the authors developed the concept of ‘Contextual Ambidexterity’, which they define as the behavioural capacity to simultaneously demonstrate alignment and adaptability across an entire business unit. For the purpose of this paper, we agree with those scholars who view both dimensions as complementary, since both are necessary tools to build ambidextrous designs.

### **2.3 The Role of Senior Management**

In their examinations of ambidextrous organizations, many authors (e.g. Gibson and Birkinshaw 2004, He and Wong 2004, O’Reilly and Tushman 2007, 2008) accentuate the special role and importance of the senior management in successful ambidextrous structures or designs.

According to O’Reilly and Tushman (2004), “...one of the most important lessons is that ambidextrous organizations need ambidextrous senior teams and managers – executives who have the ability to understand and be sensitive to the needs of very different kinds of businesses. Combining the attributes of rigorous cost cutters and free-thinking entrepreneurs while maintaining the objectivity required to make difficult trade-offs [...] managers who can be ‘consistently inconsistent’” (p. 81).

Generally speaking, a number of recent studies emphasize the important role played by senior management in ambidextrous organizations. However, the inherent contradiction between these arguments, and between findings on the difficulty that individuals have in being ambidextrous remains unresolved. For the purposes of this paper, it is important to be aware of the decisive role that senior management plays in ambidextrous structures and of the difficulties and contradictions associated with this role.

### **2.4 Ambidexterity as a Dynamic Capability**

The basic idea behind the concept of dynamic capabilities is differentiation between first- and second-order capabilities (Winter 2003). The operative core of organizations can be conceptualized as being based on first-order capabilities (Winter 2003, Zahra et al. 2006). These routine-based capabilities are the foundation of a firm’s activity. Second-order capabilities govern the development of and change in first-order capabilities (Winter 2003, Zahra et al. 2006, Zollo and Winter 2002), and influence higher-order organizational learning. Güttel and Konlechner (2009) examined how dynamic capabilities are shaped in ambidextrous organizations in order to cope with these inherent contradictions. Subsequently they conceptualize second-order capabilities as “balancing routines that govern the concurrent

performance of antagonistic first order capabilities,” (p. 15). Accordingly, ambidexterity can be viewed as a special dynamic capability.

Venkatraman et al. (2006) also conceptualize ambidexterity as an “organizational-level dynamic capability” (p. 8), which reflects the routines that drive the simultaneous pursuit of exploitation and exploration. In a similar way, O’Reilly and Tushman (2007) attempt to reconcile the concept of dynamic capabilities and the theory of Ambidextrous Organization. This paper adopts this perspective, namely the understanding of ambidexterity as a dynamic capability that enables the efficient management of the first-order capabilities exploration and exploitation.

To conclude, there are several important aspects to ambidexterity. As a possible solution to the ‘Innovator’s Dilemma’, different paths – both structural and contextual – exist as means to realize ambidexterity. The analysis of the role played by senior management in ambidextrous structures demonstrates that management can be regarded as a central factor in successful ambidexterity. Lastly, it is important to point out that ambidexterity is also defined as a dynamic capability in the resource-based view.

### **3 Corporate Venturing and the Spin-Along Approach**

This section reviews the research on corporate venturing, and introduces the ‘Spin-Along Approach’ as a new type of venturing.

#### **3.1 Defining Corporate Venturing**

Today, a number of slightly different understandings of the meaning of corporate venturing exist in the literature (Christensen 2004). In their work, Sharma and Chrisman (1999) discuss the existing definitions in this field and try to systematize the use of the associated terminology. According to their classification, corporate venturing can be regarded as a special form of corporate entrepreneurship – in addition to innovation and strategic renewal. These authors define corporate venturing as “...corporate entrepreneurship efforts that lead to the creation of new business organizations within the corporate organization. They may follow from or lead to innovations that exploit new markets, or new product offerings, or both” (p. 19). This definition serves as a starting point for the following discussion on this topic.

### **3.2 Internal and External Venturing**

In 1977, von Hippel first introduced the idea that a corporation could generate new business through the establishment of internal or external corporate ventures, depending on the location of the venturing team or unit (inside or outside the organization). Since then, a number of authors have incorporated this distinction into their work (Birkinshaw and Hill 2005, Miles and Covin 2002, Zahra and Hayton 2008).

Roberts and Berry (1985) define internal ventures as a firm's attempts to enter different markets or develop substantially different products from those associated with its existing business through the establishment of a separate entity within the existing body. To conclude, internal venturing is the most researched form of venturing (e.g. Burgelman 1983a, 1983b, 1985, Chesbrough 2000, Chesbrough and Socolof 2000, Rice et al. 2000, Roberts 1980, Roberts and Berry 1985, Thornhill and Amit 2001, von Hippel 1977), the core concept of which is based on the assumption that venturing activities are organized completely within the domain of the organization.

In contrast, external venturing describes entrepreneurial efforts outside of the firm's boundaries. Sharma and Chrisman (1999), for example, define external corporate venturing as "...activities that result in the creation of semi-autonomous or autonomous organizational entities that reside outside the existing organizational domain" (p. 19). Following this definition the understanding of "outside the organizational domain" in our context means a separate organizational unit (e. g. spin-off, venture capital investment), where the corporation is a minority shareholder without a dominant position.

### **3.3 Goals of and Motives behind Corporate Venturing**

Various perspectives on the possible motives behind and goals of corporate venturing activities exist in the literature. Fundamentally, financial and strategic goals can be distinguished from one another, and both can be viewed as potential venturing goals (Siegel et al. 1988). Most authors focus on strategic goals and emphasize the importance of exploration and innovation (Campbell et al. 2003, Dushnitsky and Lenox 2006, Schildt et al. 2005, Zahra 1996). Von Hippel (1977) views corporate venturing as an activity, which generates new businesses for a corporation.

As such, venturing may enhance firm's value by offering an "...effective means of scanning the environment for novel technologies that either threat or complement core businesses,"



(Dushnitsky and Lenox 2006: p. 756). It can therefore be concluded that the main goal of corporate venturing in literature is the ability to become more innovative and, in the end, to increase the speed of growth and secure long time success (Schildt et al. 2005).

### **3.4 Corporate Venturing and the Resource-Based View**

Studies relying on the Resource-Based View (RBV) of corporate venturing focus on the relationship between the spin-off firm and the parent firm. Parhankangas and Arenius (2003) have created a scheme for the classification of corporate spin-offs based on the nature of the relationship of the spin-off with the parent firm. Through an application of the Resource-Based View principles in a corporate venturing context, they suggest that the availability of the assets of the parent firm for new venture is an important factor in the success of the spin-off. The spin-off then remains “quasi-externalized” (Parhankangas and Arenius 2003: p. 467), which means that it develops an ongoing relationship with the parent firm and maintains collaborative linkages to prevent negative impacts resulting from separation. Consequently, access to complementary resources is highly beneficial for new ventures.

Here, it is possible to draw a parallel between Parhankangas and Arenius (2003) research and the previous discussions on ambidexterity. In both conceptualizations, the Resource-Based View serves as a background for the examination of the phenomenon, while the context of using corporate resources (financial, knowledge, personal etc.) plays an important role.

For the purpose of this paper, we maintain that corporate venturing can be divided in internal and external venturing, that different types of venturing exist, and that the main strategic goal of corporate venturing (according to literature) is associated with innovation and exploration of new products or markets. In addition, the resources of the parent firm seem to play an important role in the success of the spin-off. Based on observations in practice, the next segment introduces the ‘Spin-Along Approach’ as a new type of corporate venturing.

### **3.5 The Spin-Along Approach**

When examining venture practice in corporations, the distinction between internal and external venturing is not readily apparent. At Cisco Systems, for instance, the sponsored start-ups consist of entrepreneurially-motivated employees that are allowed to externalize their technology or business ideas. If the team is successful, Cisco has the option of reacquiring the company and reintegrating it (McJunkin 2000).

The venture unit at Deutsche Telekom is another example of a company pursuing an approach that combines internal and external elements of venturing (Rohrbeck et al. 2009). In line with

the work of Rohrbeck et al. (2009), we define this combination of internal and external venturing elements in their practical application the ‘Spin-Along Approach’, i.e. the integration of aspects of spin-out and spin-in activities (see Figure 3).

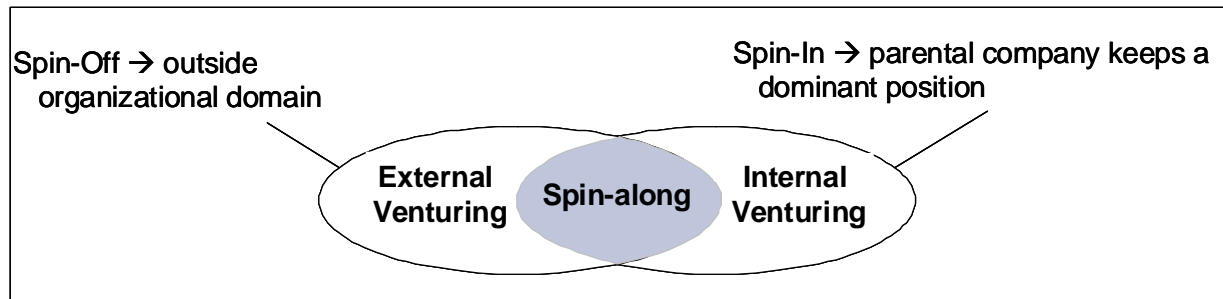


Figure 2: Definition ‘Spin-Along Approach’

As shown in Figure 2, the ‘Spin-Along Approach’ is based on the principle that, after having spun-out the new company, the parental company will maintain a dominant position and retain the option of reintegrating the spin-off. The recent literature also indicates the relevance of this phenomenon in practice. In their work, Birkinshaw and Hill (2005) discover that a great deal of corporate venture units “...pursue some combination of internal and external opportunities...” (p. 248). Miles and Covin (2002) propose a combination of internal and external venturing, where the two types of venturing can function as effective complements – even though the authors are still differentiating between two different types of venture units. In their study on the role of Swedish spin-offs in industrial growth and dynamics, Wallin and Dahlstrand (2006) ascertain that in many corporate spin-offs, the parent company often is actively involved in the development of the new firm; the spin-off is therefore not completely separated from the parent firm. This often results in the emergence of networks in which the parent firms and their spin-offs engage in varying degrees of resources sharing (Parhankangas and Arenius 2003). Thus, the spin-off firm may combine the entrepreneurial advantages associated with a small firm, while still having access to the assets of a large corporation. For the purpose of this paper, we define a ‘Spin-Along’ as follows:

*‘Spin-Along’ is a separate organizational unit that is kept under control of the parent firm with the goal of supporting the exploration and innovation of the parent firm and thus securing a long-term survival of the parent firm. In theory, the ‘Spin-Along Approach’ can also be defined as a combination of internal and external venturing activities.*

In addition to the different types of venturing (Dushnitsky and Lenox 2006, Keil 2002, 2004, Miles and Covin 2002, Schildt et al. 2005, Sharma and Chrisman 1999) discussed above, we propose that ‘Spin-Along Approach’ should also be considered as a new type of corporate venturing. The ‘Spin-Along Approach’ can be seen as a hybrid approach – one that is

independent enough to develop new, innovative products, while still sufficiently connected with the parent firm that it can use its resources and benefit from its first-order capabilities. In sum, the core elements of the ‘Spin-Along Approach’ are: separation from the parent firm; close tracking by the parent firm; a focus on exploration and exploitation; and the combination of internal and external venturing activities.

#### **4 Designing Ambidextrous Corporate Venturing (ACV-model)**

As was demonstrated above, corporate venturing is typically viewed as a vehicle for exploration. We argue that corporate venturing is essentially ambidextrous, i.e. it engages in both exploration and exploitation simultaneously. In the next segment, we identify several key concepts found in ambidextrous literature, which can be applied to the venture context and thus serving as a background for the development of the ACV-model.

**Concept 1 - Structure:** Tushman and O’Reilly (1997) study factors that lead to success by organizing ambidextrous structures. According to their research, each successful ambidextrous organizations utilizes the same architectural principles: firstly, they have small units (namely autonomous groups) within the organization; secondly, they give employees a stake in the ownership of and responsibility for their business; thirdly, they use the resources of the parent firm, in order to benefit from the size and leverage associated with economies of scale; fourthly, they facilitate operations, make the decisions quickly, and are more likely to accept the risk associated with wrong decisions; and fifthly, they engage ambidextrous managers that are able to handle the contradictions inherent in ambidextrous structures. This description seems to fit the structure of Corporate Venturing Units (Hill and Birkinshaw 2006) especially well.

**Concept 2 - Independence:** Tushman et al. (2006) discover that one of the key success factors in an ambidextrous design is the independence of the unit. Accordingly, the key element associated with success is the separation of the unit from the parent firm, under the leadership of a strong general manager, who is only linked to the parent firm through senior management. Adler et al. (2009) state that structural ambidextrous designs are composed of multiple sub-units, which are tightly coupled internally, but loosely coupled together. Again, the description of a key element of successful ambidextrous design can be applied to corporate venturing.

**Concept 3 - Strategy:** According to O’Reilly and Tushman (2007), ambidexterity can be achieved by setting up separate units that are held together by a common strategic intent – in other words, by an overarching set of values. A corporate venturing unit, for instance, is

typically independent, but still led by the senior management of the parent firm. As mentioned above, Adler et al. (2009) regard ambidextrous structures as loosely coupled sub-systems that must also be strategically integrated by the senior team using a common strategy. In this way, the parent firm is assured that the spin-off adheres to common strategic direction and an overarching set of values. Corporate venturing could be regarded as an appropriate vehicle and can work as a linking device between the corporate and the venture.

**Concept 4 - Time:** As demonstrated above, Birkinshaw and Gibson (2004) differentiate between contextual and structural ambidexterity, and regard these types of ambidexterity as complements. Interestingly, they suggest that structural separation can only be used for a certain period of time: “[s]tructural separation may at times be essential, but it should also be temporary, a means to give a new initiative the space and resources to get started. The eventual goal should be reintegration with the mainstream organization as quickly as possible” (p. 55). If this is the case, then contextual ambidexterity can enhance both the separation and reintegration process. Similar to this view corporate venturing in practice is normally also planned for a certain period of time before the venture is sold or re-integrated.

**Concept 5 - Venturing Context:** Hill and Birkinshaw (2006) first propose the combination of ambidexterity and corporate venture capital, as a means through which to develop a model of these units as essentially ambidextrous. From their perspective, corporate venture units have the potential to both exploit (i.e. to use existing capabilities) and explore (to build new capabilities) simultaneously. They also discover that venture units that manage to do both demonstrate better strategic performance. This serves as a strong indication that the application of the theory of Ambidextrous Organization to the corporate venturing context may be profitable.

Given the five concepts explored above, it is safe to say that combining the theory on Ambidextrous Organization with that on corporate venturing could prove to be promising. In the following, we will construct one possible model of such a combination, which should simultaneously extend the theories of Ambidextrous Organization and corporate venturing, as well as build up a theoretical background for further studies of the ‘Spin-Along Approach’.

As shown in Figure 3, the ACV-model consists of five components, which are described in the next segment. Each component is also linked to the ‘Spin-Along Approach’ as a practice-phenomenon in order to synthesize theoretical and practical considerations.

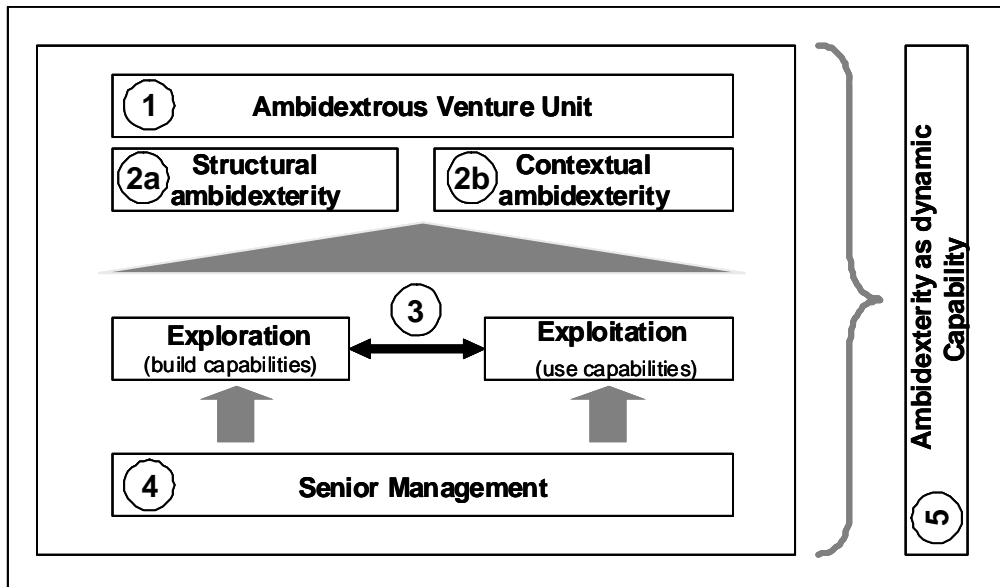


Figure 3: The ACV-model

It should be reiterated here that the object of interest is the (ambidextrous) corporate venture unit and the ventures itself (1). Therefore, as the theory suggests, the critical components in the model, such as (2a) the structural elements (the combination of internal and external venturing), (2b) contextual elements, and (4) the role of the senior management should be tested as independent variables in the model. These components could have an influence on the ambidexterity as an interacting variable, measured by the intensity (3) of exploitation and exploration. A high level of intensity in association with both of these components is an expression of ambidexterity as a well developed dynamic capability (5).

#### 4.1 Ambidextrous Venture Unit

As discussed above, there are many reasons to believe that corporate venturing may be successfully used to realize ambidexterity in corporate organizations. This is not self-evident. In the literature, it is commonly understood that corporate venturing is one way of enhancing innovation activities of the corporate, thereby fostering exploration. What is quite new is the idea that corporate venturing can also contain exploitation elements and can thus be regarded as ambidextrous. These exploitation elements can be regarded in two ways: first, it means that the venture unit can make use of the resources and existing capabilities of the parent firm; second, it means that the venture unit will contribute in return to the existing capabilities of the parent firm. The goal of corporate venturing thus evolves from its previous focus on

exploration into a multi-faceted, partly conflicting system of goals and strategies that also takes the interests of the existing business of the parent firm into account.

## 4.2 Structural and Contextual Ambidexterity

As demonstrated above, there are different ways to realize ambidexterity. Within the context of corporate venturing, it makes sense to employ instruments of structural ambidexterity initially (rather than later in the process).

**a) Structural ambidexterity:** an ambidextrous design can be realized through a separate business unit that has only limited structural linkages to the organization (e.g. in form of general manager control and senior management support). The logic behind ambidextrous organizations is the maintenance of units, which are small and autonomous, so that employees feel both a sense of ownership and feel responsible for their own results. This corresponds with the view that, in successful ambidextrous organizations, the employees need to have autonomy and must feel direct responsibility for their actions. In a corporate venture or spin-off, independence is a by-product of the fact that the sponsored firm already resides outside the organizational domain. Moreover, the management and employees in start-ups generally have real ownership (shares) or options, and thus often feel a strong responsibility to their firm.

To conclude, a component of the ACV-model is the deliberate and conscious usage of structural elements to realize ambidexterity in corporate venturing. The ‘Spin-Along Approach’ can therefore be understood as one possible means through which to implement structural ambidexterity.

**b) Contextual ambidexterity:** In addition to the implementation of structural elements, other means of realizing ambidexterity in organizations are available. Thus, contextual ambidexterity, defined as the behavioral capacity to simultaneously demonstrate alignment (sharing the same goals) and adaptability (the flexibility to quickly react to changing demands in the environment), is another important component of the AVC-model.

## 4.3 Relation between Exploitation and Exploration

As articulated above, the primary goal of ambidextrous structures is the simultaneous pursuit of exploitation and exploration. In principle, the relationship between these two dimensions can be regarded orthogonally or as a continuum. For the development of the ACV-model, we accept the insights of the most recent scholarship on this issue, (e.g. Beckman et al. 2004, Gupta et al. 2006, Hill and Birkinshaw 2006) and define the relationship between exploitation

and exploration as simultaneously achievable dimensions; in other words, as two orthogonal and independent variables.

#### **4.4 Role of Senior Management**

The role of the senior management in ambidextrous structures is an important factor in their success (Gibson and Birkinshaw 2004, He and Wong 2004, O'Reilly and Tushman 2004 & 2007, Smith and Tushman 2005), and this role may be even more crucial in corporate venture structures. In the ACV-model, senior management has two important functions. Firstly, they must be 'consistently inconsistent' (O'Reilly and Tushman 2004); in other words, they must accept and manage the strategic contradictions of pursuing both exploitation and exploration simultaneously. These managers must also be aware that these inconsistencies cannot be resolved, but rather only managed. Secondly, senior management plays an extremely important role in influencing the attitude of employees of the corporate venture (Gibson and Birkinshaw 2004).

#### **4.5 Dynamic Capabilities**

The relevance of dynamic capabilities to the success of organizations have been demonstrated in numerous studies in the past decade (e.g. Eisenhardt and Martin 2000, Teece 2006, Teece et al. 1997, Winter 2003, Zahra et al. 2006, Zollo and Winter 2002,); this concept can also be readily combined with the concept of Ambidextrous Organization (e.g. Güttel and Konlechner 2009, O'Reilly and Tushman 2007, Venkatraman et al. 2006). In the construction of the AVC-model, ambidexterity can be viewed as a dynamic capability of a higher level respectively as a second-order capability (Winter 2003, Zollo and Winter 2002), which govern the first-order capabilities to successfully exploit and explore. Ambidexterity as a second-order capability therefore implies that a firm must have the skill to manage these two conflictual first-order capabilities. Within the context of corporate venturing, this may mean that the venture profits from and actively uses the assets, resources and capabilities of the parent firm in order to build up new capabilities to produce new products, to develop new technologies, or to enter new markets.

In short, the AVC-model contains the following five components, which can be described as:

- 1) Being fundamentally ambidextrous (able to both exploit and explore) and focused on the venture unit/venture (rather than the organization);
- 2) Containing structural design elements such as independence, while maintaining linkages to the parent firm; similarly, sharing contextual elements such as similar goals with the

parent firm, but, at the same time, acting independently;

- 3) Viewing exploitation and exploration as independent dimensions that can both be optimized and obtained simultaneously;
- 4) Being aware of the important role played by senior management in handling inconsistencies and in providing guidance to the employees;
- 5) Perceiving ambidexterity as a dynamic capability that can be used to manage first-order capabilities and thus determine the correct avenues to lasting success;

The discussion above demonstrated how the ACV-model engages with each of the five components, which can in turn be linked to the ‘Spin-Along Approach’, as a new type of corporate venturing. Now I take these ideas one step further, by expanding the definition of the ‘Spin-Along Approach’ against the background considerations of the ACV-model:

*A ‘Spin-Along’ is a separate organizational unit that is kept under control of and has linkages to the parent firm, with the goal of supporting exploration as well as the exploitation at the parent and thus securing a long-term survival of the parent firm. The ‘Spin-Along Approach’ can also be defined as a combination of internal and external venturing activities.*

Consequently the definition provided by Rohrbeck et al. (2009) can be expanded in some important aspects. The new definition implies that ‘Spin-Alongs’ do not only concentrate on innovations but also on exploitation (namely, the active use of the resources and capabilities of the parent firm). The ‘Spin-Along Approach’, as a new type of corporate venturing combining internal and external venturing activities, appears to be ideal for this purpose because of its positioning; in other words, it is not too far outside the purview of the parent firm (like normal spin-offs) and at the same time, not too closely linked to the parent firm (like ordinary internal units or subsidiaries).



## **5 Conclusion and Implications for further Studies**

To conclude, the goals of the paper have been threefold: to give an overview on the literature of ambidexterity and corporate venturing, to combine these two theories, and to develop the AVC-model and apply the ‘Spin-Along Approach’ and thus lay the theoretical foundation for further studies.

The underlying research question asked how the theory of Ambidextrous Organization may be applied to corporate venturing. In the course of this paper, the ACV-model was developed, which contained five central components. The main contribution of the model to literature is the extension of our understanding of corporate venturing not only as a tool for exploration but also as a means of achieving various other goals. These components can also be regarded as potential research fields for further studies. In addition, the paper introduced the ‘Spin-Along Approach’ as a new type of venturing and enlarged the standard conception of venturing through the inclusion of exploitative elements.

While acknowledging some limitations, it can be argued that the ACV-model could deliver a first foundation for ambidexterity research in the area of corporate venturing. At this point, however, this model lacks the empirical evidence to test the two research propositions. The theoretical ACV-model only provides a first attempt to define the potential of the ‘Spin-Along Approach’, through a multi-faceted analysis of combining ambidexterity and corporate venturing. The five components of the model may also provide direction as to which issues related to the practical implementation of ACV should be explored, as well as some insight into possible key factors for successful corporate venturing with ‘Spin-Alongs’.

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## Appendix

| Literature                      | Topic   | Method  | Definition of Ambidexterity  | Results / Contribution  |
|---------------------------------|---|---|--|---|
| Duncan (1976)                   | Designing dual structures for Innovation.                                     | Theoretical, prescriptive study.  | Different structures needed for the two different stages of the innovation process (initiation and implementation).<br>→ Dependent dimensions.   | First application of the term ambidexterity in the organizational context.                            |
| March (1991)                    | Exploitation and Exploration in Organizational Learning.                      | Theoretical study.  | No explicit definition of ambidexterity but rather of exploitation and exploration, and an indication that both compete for scarce resources.<br>→ Dependent dimensions, balance must be found.  | Introduction of exploitation and exploration into the organizational discussion on ambidexterity.     |
| Tushman and O'Reilly (1997)     | Ambidextrous Organizations for managing Change.                               | Theoretical study.  | Ability to implement both incremental and revolutionary change.<br>→ Exploitation and exploration as dependent dimensions, trade-off between these dimensions.   | Proposition of architecture of ambidextrous organizations.  |
| Benner and Tushman (2002, 2003) | Exploitation, Exploration and Process Management                              | Theoretical and empirical studies.  | Ability to implement both incremental and revolutionary change.<br>→ Exploitation and exploration as dependent dimensions, trade-off between these dimensions.   | Developing model and testing propositions how process management influences ambidexterity.            |
| Katila and Ahuja (2002)         | Relationship between Exploitation and Exploration and Innovation performance. | Empirical study, sample of 124 firms.                                       | Exploitation and Exploration as two distinct dimensions of knowledge.<br>→ Combination of these two knowledge-dimensions possible.   | First study of Exploitation and exploration in dependence with knowledge and organizational learning. |
| O'Reilly and Tushman (2004)     | Comparison of ambidextrous structures with other alternatives.                | Empirical study, 15 business units and 35 innovation projects.              | Ambidexterity organized in two independent units (for exploitation and exploration), linked solely by the senior management.<br>→ Dependent dimensions, trade-off.   | First empirical study that indicates that ambidextrous structures are more successful than others.    |
| Gibson and Birkinshaw (2004)    | Investigation of contextual ambidexterity in organizations.                   | Empirical study, data collected from 4195 individuals in 41 business units. | Contextual ambidexterity refers to the behavioral capacity to simultaneously demonstrate alignment and adaptability across an entire business unit.<br>→ Exploitation and exploration as dependent dimensions, trade-off between these dimensions. | Introduction of the idea of contextual ambidexterity as a complement to structural ambidexterity.     |
| He and Wong (2004)              | Measuring effect of ambidexterity on firm performance.                        | Empirical study, sample of 206 firms.                                       | Ambidexterity reached by simultaneously pursuing exploitation and exploration strategies.<br>→ Dependent dimensions that have to be balanced.  | First study of the influence of ambidexterity on sales growth (result: positively correlation).       |

Table 1: Literature Ambidextrous Organization Theory



## Appendix

| <b>Literature</b>                 | <b>Topic</b>  | <b>Method</b>  | <b>Definition of Ambidexterity</b>   | <b>Results / Contribution</b>   |
|-----------------------------------|---|--|--|---|
| Hill and Birkinshaw (2006)        | Study of ambidexterity in the area of venturing.                              | Empirical study (questionnaire), data collected from 95 venture units. | Ambidexterity as to make use of the existing capabilities (exploitation) and build new capabilities (exploration).<br>→ Independent dimensions that can be optimized both.           | Venturing units that are ambidextrous have better strategic performance.  |
| Gupta et al. (2006)               | Interplay between Exploitation and Exploration                                | Theoretical study.   | Ambidexterity and the relation between exploitation and exploration seen two ends of a continuum (dependent variables) or as orthogonal dimensions (independent variables) possible. | First detailed research on the possible interplay of exploitation and exploration.                                    |
| Venkatraman et al. (2006)         | Strategic Ambidexterity and Sales Growth in the Software Sector.              | Empirical study, sample of 1005 software companies.                    | Ambidexterity as capability to drive exploitation and exploration.<br>→ Independent dimensions that can be optimized in both.  | Introduction concept of strategic ambidexterity, positive correlation to sales growth.                                |
| Lubatkin et al. (2006)            | Ambidexterity and Performance in Small- and Medium Sized Firms.               | Theoretical and empirical study, survey data of managers of 139.SMEs.  | Ambidexterity defined as combination of exploitative and explorative orientation.<br>→ Independent dimensions that can be optimized in both.   | Study focussing on SMEs and the effect of ambidexterity on firm performance.  |
| Tushman et al. (2006)             | Organizational Designs and Innovation Streams                                 | Case Studies, data on 13 business units.                               | Ambidexterity as an organizational design that enables exploiting and exploring innovation streams.<br>→ Dependent dimensions that have to be balanced.                              | First study on innovation streams and distinct organizational designs (result: ambidextrous design best performance). |
| Güttel and Konlechner (2007)      | Dynamic Capabilities in Ambidextrous Organizations.                           | Case Studies, data on 15 separate subunits.                            | Ambidexterity defined as a dynamic capability to optimize both exploitation and exploration.<br>→ Independent dimensions that can be optimized in both.                              | Ambidexterity as a dynamic capability to balance contradictions.  |
| O'Reilly and Tushman (2007, 2008) | Bringing together research streams on ambidexterity and dynamic capabilities. | Theoretical study.   | Ambidexterity defined as a dynamic capability to optimize both exploitation and exploration.<br>→ Independent dimensions that can be optimized in both.                              | Ambidexterity regarded as a dynamic capability; importance of the role of senior management emphasized.               |

Table 1: Literature Ambidextrous Organization Theory