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SUMMARY

SENIOR TEAMS AND ORGANIZATIONAL AMBIDEXTERITY: THE ROLE OF TRANSFORMATIONAL LEADERSHIP

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Principal Topic

As competition intensifies and the pace of change accelerates, firms are increasingly confronted with a tension between exploiting existing competencies and exploring new ones. Hence, previous literatures have increasingly argued that successful organizations are ambidextrous – they generate entrepreneurial rents through revolutionary and evolutionary change, or exploration and exploitation of entrepreneurial opportunities.

Research Objective and Contributions

Although various studies have highlighted the benefits of balancing exploration and exploitation of entrepreneurial opportunities, few have examined organizational determinants of such ambidextrous organizations.

First, ambidextrous organizations impose considerable challenges on senior teams. Senior teams, for instance, need to engage in mutual and collective interaction and to establish strategic coherence to integrate seemingly contradictory exploration and exploitation of entrepreneurial opportunities. This study examines two important senior team-level determinants of organizational ambidexterity: senior team direction and reward contingency.

Second, prior research has acknowledged the potential impact of leadership on enhancing organizational ambidexterity. Based on qualitative data, studies have suggested that leadership may play a more interventionist role and affect organizational ambidexterity in indirect ways. As O’Reilly and Tushman (2004) indicated, leaders in successful ambidextrous organizations deliberately influenced senior team characteristics and implemented reward systems to achieve ambidexterity. Since there is little empirical evidence on this contingency perspective and the nature of effect, we focus on the concept of transformational leadership and examine its direct as well as its indirect impact on achieving ambidexterity.

Method

The empirical research was conducted at branches of a large European financial services firm. We collected our empirical data through multiple respondents at 211 branches of the financial services firm. Our study mainly used existing scales (i.e. exploratory and exploitative innovation, transformational leadership, senior team direction, and senior team contingency rewards) from literature. We received a total of 305 questionnaires from senior team members in 89 branches.

Results and Implications

Research on exploration and exploitation is burgeoning, yet our understanding of the organizational determinants of organizational ambidexterity remains rather vague. This study acknowledges the importance of senior executives. Our findings indicate that senior team direction and contingency rewards positively influences a branch’s ambidexterity. In addition, transformational leadership does not directly impact, but rather positively moderates the effect of senior team direction on organizational ambidexterity. In this sense, our study contributes to research on corporate entrepreneurship by revealing how senior executives enhance an organization’s ability to balance exploration and exploitation of entrepreneurial opportunities.

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