

# Leveraging on Ambidexterity for Value Creation to Address Performance Dilemma of Hybrid Organizations

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To Link this Article: <http://dx.doi.org/10.6007/IJARPED/v13-i1/20673>

DOI:10.6007/IJARPED/v13-i1/20673

*Published Online:* 11 February 2024

## Abstract

It is important for organizations to create value for every stakeholder. However, for organizations to prioritize in creating equal values for all stakeholders is often constrained by limitation of resources. This issue is a common problem faced by all types of organizations and the problem is more apparent in hybrid organizations such as state-owned enterprises (SOEs), and social enterprises (SEs). Hybrid organizations have two main priorities which are to pursue business goals and social oriented goals. Both priorities are always in conflict because they have to share the same resources. Consequently, organizations are more likely to forgo a goal that are less of a priority at the time, and as a result of this, the interest of some stakeholders will be neglected. As the solution, there is a dire need for the organizations to improve their ability in balancing conflicting priorities. In literature, organizational ambidexterity has been discussed as a dynamic capability to balance between conflicting priorities. However, little is known in the literature on the extent to which ambidexterity influences value creation to resolve the issues that has been discussed here. This paper will address this gap by bringing forth the concept of ambidexterity as a dynamic capability to address the performance dilemma of hybrid organizations which is supported by past research. This concept paper coincides with the stakeholder theory and the findings will add new knowledge to the literature that may encourage further empirical studies.

**Keywords:** Ambidexterity, Hybrid Organization, Stakeholder Theory, Value Creation, Dynamic Capability

## Introduction

In the old era, profit is the highest priority to most organizations since it creates values to the owners and shareholders. In today's scenario, the current situation demands organizations to create equitable value between all stakeholders including the creation of social values toward the interest of society such as the employees, society, including the environmental aspect. However, there will always be conflicts between organizational activities. For example, reducing production cost may increase profit margin but it may result in a lower quality of

product or services, and production process that is hazardous to the public. As a solution, organizations need to by improve its capability in orders to constantly create sufficient and equitable values for all stakeholders.

Ideally, to create equal value for all stakeholders, organizations should achieve both business and social goals as they are equally importance to stakeholders. In reality, there is limit to everything including the availability of resources which are an essential component for value creation (Abdullah et al., 2019; Chowdhury et al., 2019). However, organizations are faced with the scarcity of resources, and it will be relatively difficult for organizations to perform both priorities simultaneously as they use the same resources (Oduro et al., 2022). As a results, conflict ensued between these two priorities that cause tension to the management in deciding which of the two priorities need to be focused on. Moreover, failing to balance between these priorities, organizations are likely to trade-off one of the priorities to make way for the one that is perceived to be of greater value to the organizations. In this regard, it will create a situation of dissatisfaction among stakeholders who are affected by the goal trade-off.

To address all these issues, this paper posits that it is critical for organizations to resolve conflicting organizational priorities to achieve a holistic performance, with effective use of resources and increase their capability to create new values. Building on the stakeholder theory and ambidexterity literature, this paper is pushing forward the concept of ambidexterity in the process of value creation that meet the interest of all stakeholders. Moreover, this paper aims to answer the question to what extent ambidexterity can address the conflict of organizational priority in meeting business and social goals. This study is significant to both theory and practice as the findings of this paper will add new knowledge to the literature, encourage future empirical research, and provide valuable insight to the management of hybrid organizations to improve its capability in performing both business and social priorities. This paper used hybrid organizations as the research context since conflict of organizations' priority in pursuing business goals and social value creation is more apparent in this type of organizations. Moreover, research of ambidexterity in hybrid organizations is still underexplored which need more attention from the researchers, despite the robustness of ambidexterity research in organizational context (Oduro et al., 2022).

### **The Importance of Value Creation and its Challenges**

Value creation is a process that is critical for every organization (Abdullah et al., 2019; Edward Freeman, 2010). From stakeholder theory standpoint, there is a necessity for organizations to improve its value creation to ensure all stakeholders will benefit from it (Edward Freeman, 2010). The concept of value in context of organizations is relatively broad. From stakeholders' perspective, value can be perceived as the output produces by organizations that is valuable to stakeholders such as the customers, shareholders or owners, and the public. For example, value to customers include quality product or service and at reasonable price that they willing to pay, value to shareholders include the profit that results from business activities, and public value is the desirable impact of the organizations' business on the well-being of society.

Furthermore, value creation is about adding values to organizations that benefit the shareholders and customers (Abdullah et al., 2019). The values can be measured where it is operationalized in literature as organizational performance (Chowdhury et al., 2019; Maine

et al., 2021). In this regard, a higher performance means a better result of value creation (Chowdhury et al., 2019). The values that are derived from business purposes to benefit shareholders and customers is considered as business value, while the value that desired by society is perceived as social values. Organizations should create business and social values simultaneously and failing to achieve this may result in dissatisfaction among certain stakeholders. When an organization focus its activities in creating social values, a major part of its resources will be used for this purpose. This will affect its ability to make profit which means a decrease in wealth creation for shareholders and thus result in dissatisfaction from them.

In addition, resources and dynamic capability are prerequisite for value creation (Abdullah et al., 2019; Chowdhury et al., 2019). Despite the importance of resources to organizations, its scarcity is a major issue which result in conflict between priorities that hinder value creation. Resources are essential component that can be converted into output that are valuable to stakeholders. Failing to utilize resources effectively will result in failure to meet the set goals. Whereas dynamic capability refers to the capacity of organizations to efficiently create value (Abdullah et al., 2019). Moreover, according to the authors that dynamic capability can create new capabilities by using existing resources to create new resources for organizations. This implies that dynamic capability is essential to drive the process of value creation.

### **Hybrid Organizations and Their Challenges**

The concept of hybrid organizations is ambiguous in literature and thus far there is yet a consensus among researcher regarding its standard definition. A Hybrid organizations is defined as a combinations of two sectors, namely profit and non-profit (Maine et al., 2021). It can also be perceived as organization that pursue financial goal and create social value (Argento et al., 2019). SE is an example of hybrid organizations that is commonly studied by researchers. In this regard, SE is a social-oriented organization in which their objective is for social missions while their entrepreneurial or business activities are to support the social causes (Oduro et al., 2022). In addition, the current trend in literature refers SOE as a hybrid organizations (Argento et al., 2019; Maine et al., 2021). SOEs are government-owned companies, with the main objective to achieve business goals and the same time responsible to create social or public value (Argento et al., 2019). There are various types of hybrid organizations discussed in the literature, but they are similar in their objective which is to create business and social values.

Furthermore, research of hybrid organizations have received a significant attention from researchers to examine its performance (Argento et al., 2019). Moreover, the issue of conflict between their goals is a major concern among researchers and even complexity in dealing with conflicting goals is discussed more in the context of hybrid organizations than in other types of organizations (Maine et al., 2021; Oduro et al., 2022). Despite of many research that examine factors that influence its performance, the solution to the issue is still a mystery in the literature. To date, little is known about capability of hybrid organizations to balance their conflicting priorities in simultaneous creation of business and social values. This implies there is a capability gap in hybrid organizations which deserve attention from the literature.

### **Ambidexterity and Value Creation**

Ambidexterity is a broad concept. Previous researchers have provided some conceptualization of ambidexterity in the literature. Simsek et al (2009) conceptualized ambidexterity as organizations' ability to perform differing and often competing, strategic acts at the same time. There are other views of ambidexterity that were highlighted by the authors such as in simultaneous achievement of search and stability, flexibility and efficiency, alignment and adaptability, pro-profit and pro-growth strategies, and many others. Moreover, O'Reilly & Tushman (2008) viewed ambidexterity as actions by management in identifying opportunities and threats and reconfigure resources to adapt. Additionally, Birkinshaw & Gupta (2013) concurred with the premise that ambidexterity is the manner of how organizations address tension in performing two distinct things simultaneously. Majority of current researchers adopts March's (1991) conceptual of ambidexterity that emphasize on simultaneous pursuit of exploitation and exploration activities (Huang et al., 2020; Katic et al., 2021; Maine et al., 2021; Oduro et al., 2022). In this regard, O'Reilly & Tushman (2008) explained exploitation as efficiency, while exploration as search, discovery, and innovation. In a nutshell, ambidexterity can be described as a way for organizations to avoid trade-off by balancing the pursuit of conflicting goals (Birkinshaw & Gupta, 2013; Cao et al., 2009; March, 1991).

In addition, ambidexterity literature has provided some solution to address tension between conflicting priorities. One of the solutions that is frequently mentioned in ambidexterity literature is through structural and contextual ambidexterity (Gibson & Birkinshaw, 2004). Structural ambidexterity refers to the strategy to address conflicting priorities at organizational level by having separate or multiple units for different priority, while contextual ambidexterity is to address the conflict by a single unit (Ramachandran et al., 2019). However, Raisch et al (2009) argued that these solutions lack of flexibility in adapting to changes in business environment and thus, sequential ambidexterity is introduced which is perceived as more dynamic. Beside this, Cao et al (2009) introduced dimensions of ambidexterity which are named balanced and combined dimensions of ambidexterity. The balanced dimension focuses on a balanced pursuit of both priorities, whereas combined dimension view both priorities as complementary to each other, as if they are not in conflict. Their research finding revealed that balanced and combined ambidexterity influence the achievement of organizational performance.

Moreover, creating value for stakeholders is the main objective of every organization, and it has attracted the attention of researchers to examine how value can be created and what are the challenges that hinder value creation and how to address the challenges. In regard to this, many research has shown the extent to which ambidexterity is linked to value creation. This has been supported by various research that argued ambidexterity enhances the organizations' ability to manage conflicting goals or priorities by using resources optimally in the process of value creation (O'Reilly & Tushman, 2008). Moreover, ambidexterity helps in improving efficiency and innovation capability which is essential to the process of value creation (O'Reilly & Tushman 2008). From the lens of innovation, ambidexterity increases organizational innovative ability by concurrently exploit existing capabilities and resources and explore opportunities such as new business or new market which lead to value creation (Birkinshaw & Gupta, 2013; March, 1991; O'Reilly & Tushman, 2008).

Furthermore, ambidexterity is viewed in literature as dynamic capability (Huang et al., 2020; Katic et al., 2021; Oduro et al., 2022). As an organizational capability, ambidexterity is argued

to influence sustainable competitive advantage and drive organizational performance (O'Reilly & Tushman, 2008; Simsek et al., 2009). By framing ambidexterity as dynamic capability, research of ambidexterity has undergone a paradigm shift and has attracted the interest of many researchers to construct ambidexterity as a predictor rather than as a criterion or as a process rather than an outcome. Hence, many research has been conducted to study ambidexterity as a predictor of organizational performance (Huang et al., 2020; Oduro et al., 2022).

### **Discussion**

The conflict between organizational priorities to achieve business and social goals is often discussed by researchers in the context of hybrid organizations. Among the issues raised in the literature is the difficulty or the organizations in achieving a balanced value creation among all stakeholders because of the conflict between the two priorities. In fact, the volatility of current situation in business environment has placed the management of hybrid organization in dilemma to perform both business and social priorities simultaneously due to the increasing demand of stakeholders and limitation of resources. As a result, the management of hybrid organization had to adjust their priorities to cope with the pressure and will often decide to trade-off one of them. Therefore, in order to avoid making trade-off against any priority, it is better for the hybrid organizations to improve its ability to create as much value as possible (O'Reilly & Tushman, 2008).

While creating organizational value, Freeman (2010) held to the principle that no stakeholder should be excluded. This implies that all stakeholders are equally importance, and this also means that organizations should not favor the demand of some stakeholders because it can affect the interest of other stakeholders. In view of this, organizations need to enhance the value creation process to provide sufficient values for their diverse stakeholders equitably. In order to enhance the value creation process, organizations need to enhance their capability in organizing available resources to strengthen current values while exploring opportunities that create new values. This most likely can be achieved through ambidexterity which has already being explained earlier able to address the conflict between two goals.

Following Simsek et al (2009); O'Reilly & Tushman (2008) that view ambidexterity as a dynamic capability, this paper postulates that ambidexterity as a dynamic capability that increase organizations' competitiveness especially in optimizing the use of resource. Since dynamic capability of organizations result in a better performance, it signifies a better value creation for its stakeholders and thus overcome the complexities of conflicting priorities of hybrid organizations. Furthermore, as innovation is essential components in value creation, this paper also postulates that ambidexterity as also an important capability that increase the level of organizational innovation. In this regard, ambidexterity enables hybrid organizations increase its current values and at the same time creating new values for the future (Birkinshaw & Gupta, 2013; O'Reilly & Tushman, 2008). In other words, ambidexterity allows for exploitation of existing values such as in improving existing product or services, processes, structure, management, and others, and simultaneously explore future values such as developing new products or services, new market, and new inventions.

Furthermore, since resources is essential in value creation process, it in critical for organizations to capitalized in its capabilities to ensure resources are used optimally.

Moreover, resources such as capital, capability, knowledge and processes can improve efficiency and effectiveness leading to a higher competitive advantage and performance (Barney, 1991). In relation to this, organizations should use existing resources to explore new capabilities which create new values and resource, and use the new resources to enhance existing capabilities (Cao et al., 2009). In addition, resources can be gained in two situations. Firstly, large organizations have the advantage to perform all its activities more comfortably as compared to smaller size (Cao et al., 2009; Maine et al., 2021). Secondly, it can also be achieved by obtaining resources from external sources or by sharing resource through partnership (Cao et al., 2009; Raisch et al., 2009). All the research presented here signifies that the conflict between business and social priorities of hybrid organizations can be resolved with the right capabilities and strategies.

### **Conclusion**

This concept paper addresses the issue of value creation in hybrid organizations and the extent of how they resolve conflict between business and social priorities to create equitable values for all the stakeholders. Based on the review of the literature, this paper posits that organizational performance should be explained from the perspective of combination of business and social goals especially in the context of hybrid organizations. However, the literature provides little knowledge about this issue where majority of research views organizational performance as unidimensional that focus on financial or social performance separately which may not reflect the holistic performance of hybrid organizations. Moreover, failing to balance between the two priorities, organizations are likely to trade-off one of the priorities with less value to the organizations. As a consequence of this, the interest of certain stakeholders will be undermined.

To date little is known about the capability of hybrid organizations in aligning between the dual goals which implies there is a capability gap in hybrid organizations in aligning these goals simultaneously. There have been many studies have examined factors that influence performance of hybrid organizations. However, majority of these studies has been focusing on factors such as leadership and entrepreneurial aspect. Given this limitation, this paper explored the extant literature on the potential of ambidexterity as a factor that can address this pressing issues. Based on the review of literature, ambidextrous organizations were argued to have a better chance in balancing between conflicting priorities. Moreover, various research concurred that ambidexterity is a dynamic capability that improve organizations' ability in managing the use of resource effectively and innovatively create values for all stakeholders. On this note, the role of ambidexterity in addressing conflicting goals, will add valuable insight to the growing academic research especially in the context of hybrid organizations.



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