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The mediating role of organizational ambidexterity

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The relationship between dynamic capabilities and firm competitive advantage

The mediating role of organizational ambidexterity

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Abstract

Purpose – Dynamic capabilities and organizational ambidexterity are closely related concepts. Unfortunately, there is still a lack of understanding about the relation between the two. This paper aims to offer a theoretical explanation of the relationship between dynamic capabilities, organizational ambidexterity and firm competitive advantage. The authors find that organizational ambidexterity may be considered as a mediator in the relationship between dynamic capabilities and firm competitive advantage. Therefore, this paper contributes theoretically to the authors' understanding of the relationship between organizational ambidexterity and dynamic capabilities with regard to firm competitive advantage.

Design/methodology/approach – In this conceptual paper, the review of research literature on dynamic capabilities and organizational ambidexterity is presented. Theoretical analysis is followed by theoretical propositions that should be subsequently tested empirically.

Findings – By considering dynamic capabilities and organizational ambidexterity related to competitive advantage, this paper provides a new perspective on concepts' relationship. The theoretical findings described in this paper suggest that organizational ambidexterity plays a mediating role in the relationship between dynamic capabilities and firm competitive advantage.

Research limitations/implications – Further research are required to develop organizational ambidexterity and dynamic capabilities theories, focusing more on the relation to competitive advantage. Additional testing is necessary to empirically validate the propositions given in this paper.

Originality/value – Based on theoretical findings, this paper clarifies the relationship between dynamic capabilities and organizational ambidexterity concepts. Theoretical findings described in this paper also determine the guidelines for further theoretical and empirical research within the fields.

Keywords Innovation, Dynamic capabilities, Competitive advantage, Organizational ambidexterity

Paper type Conceptual paper

Introduction

Knowledge acquisition, sharing, networking, clustering and innovation are now recognized as key developmental factors and essential considerations for organizations seeking to meet their customers' needs and the changing demands of the environment. Innovations have been increasingly recognized as accountable for strengthening



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competitiveness and firm productivity (Vanhaverbeke *et al.*, 2007; Bekkers *et al.*, 2011; Baregheh *et al.*, 2012).

A fundamental challenge for firms today is to combine different types of innovation to gain competitive advantage. A firm's ability to jointly pursue both radical and incremental innovation is referred to as organizational ambidexterity (O'Reilly and Tushman, 1996; Li *et al.*, 2008; Raisch *et al.*, 2009; Simsek *et al.*, 2009; Prange and Schlegelmilch, 2010; Mattes and Ohr, 2013a, 2013b, 2013c). Currently, organizational ambidexterity is understood to be related to the concept of dynamic capabilities: both concepts are involved in a firm's attempts to remain competitive in a rapidly changing environment.

In the scientific literature, researchers (Eisenhardt and Martin, 2000; Porter, 1990; Teece *et al.*, 1997; Zollo and Winter, 2002, etc.) recognize dynamic capabilities to be a key factor in firm competitiveness through sensing, seizing and reconfiguring (Teece *et al.*, 1997), whereas organizational ambidexterity is responsible for the simultaneous management of exploratory and exploitative activities, thus helping to manage rapid environmental change (O'Reilly and Tushman, 1996; Li *et al.*, 2008; Raisch *et al.*, 2009; Mattes and Ohr, 2013a, 2013b, 2013b).

The relationship between the concepts of organizational ambidexterity and dynamic capabilities remains relatively unexplored. A better understanding of this relationship is necessary to comprehend the effect it has on firm performance. This paper makes several contributions to the theories of dynamic capabilities and organizational ambidexterity. It has been confirmed that dynamic capabilities have no direct impact on firm competitive advantage. A number of researchers (Eisenhardt and Martin, 2000; Helfat, 1997; Li and Liu, 2014; Teece *et al.*, 1997; Teece, 2007) analyzed dynamic capabilities' impact on firm competitive advantage. Each of these studies, though using different variables, indicates that the relation between dynamic capabilities and firm competitive advantage is indirect. Accordingly, it is necessary to identify variables that can have a mediating effect on this relation. Also, previous studies (He and Wong, 2004; Jansen *et al.*, 2006) have confirmed innovations to be a source of competitive advantage. However, there is still no empirical evidence of organizational ambidexterity's impact on firm competitive advantage. Sensitive to this, the paper aims to examine the relationship between dynamic capabilities, organizational ambidexterity and firm competitive advantage. In addressing this aim, organizational ambidexterity is considered to be a mediator in the relationship between dynamic capabilities and firm competitive advantage.

In the first section, the authors provide a review of the current concept of dynamic capabilities in the context of firm competitive advantage. In the second section, the authors focus on the current concept of organizational ambidexterity in the context of firm competitive advantage. In the third section, the authors address the relationship between organizational ambidexterity and dynamic capabilities, particularly with regards to firm competitive advantage. Organizational ambidexterity is proposed as a possible mediator in the relationship between dynamic capabilities and firm competitive advantage. The paper concludes with recommendations for further research.

Dynamic capabilities and firm competitive advantage

The concept of dynamic capabilities receives significant attention within the field of strategic management. Dynamic capabilities have been analyzed from various

perspectives and using various approaches. Despite more than a decade of research on the concept, many critical and unresolved issues exist.

A number of researchers (Eisenhardt and Martin, 2000; Helfat and Peteraf, 2003, 2009; Peteraf *et al.*, 2013; Ridder, 2012; Schilke, 2014; Teece *et al.*, 1997; Teece, 2007; Winter, 2003) developed a field of dynamic capabilities representing a range of views of the concept. Researchers have variously identified dynamic capabilities as *competencies* (Barreto, 2010; Adner and Helfat, 2003), *abilities* (Martin, 2011; Barreto, 2010; Eisenhardt *et al.*, 2010; Helfat and Winter, 2011), *capabilities* (Barreto, 2010; Teece *et al.*, 1997; Zollo and Winter, 2002), *capacities* (Bingham and Eisenhardt, 2008; Martin, 2011), *processes* (Eisenhardt and Martin, 2000) and *routines* (Barreto, 2010; Eisenhardt *et al.*, 2010). Initially, dynamic capabilities were considered to be a firm's ability to "integrate, build and reconfigure internal and external competencies to address rapidly changing environments" (Teece *et al.*, 1997). Eisenhardt and Martin (2000) perceived dynamic capabilities as specific strategic processes.

In general, a dynamic capabilities concept is usually regarded as an extension of the recourse-based view (Schilke, 2014). While the recourse-based view involves issues addressed to existing recourses of the firm, the dynamic capabilities view concerns the reconfiguration of existing recourses and the creation of the new recourses (Helfat and Peteraf, 2003; Schilke, 2014). According to Helfat and Peteraf (2003), the recourse-based view explains the differences among competing firms, which appear because of the recourses that firms have. These differences also have a respective impact on firm competitive advantage. In this way, dynamic capabilities become critical, as they promote changes in the existing firm's recourse base (Helfat and Peteraf, 2003; Schilke, 2014), and thus lead to competitive advantage for the firm.

Peteraf *et al.* (2013) argue that the concept of dynamic capability was constructed to explain the reasons why some firms succeed in maintaining competitive advantage while others fail. Most prior studies (Eisenhardt, Martin, 2000; Teece *et al.*, 1997; Peteraf *et al.*, 2013; Schilke, 2014) within the field of dynamic capabilities emphasize the concept's relation to firm competitive advantage. Recognizing that competitive advantage is a set of strategic practices that help in increasing a firm's effectiveness and efficiency, dynamic capabilities are understood to play an important role by producing opportunities to build competitive advantage through reconfigured and difficult-to-replicate recourses (Slater *et al.*, 2006).

Various indicators were used to measure the relationship between dynamic capabilities and firm competitive advantage. This is determined by a number of diverse manifestations of dynamic capabilities and different conceptions of the factors that constitute dynamic capabilities. To develop a more comprehensive understanding of the relationship between dynamic capabilities and firm competitive advantage, we present an aggregated information table (Table I) that summarizes existing research in respective fields.

Table I reveals that the majority of researchers assume that dynamic capabilities do not have a direct impact on firm competitive advantage. In the majority of cases, there are different variables that intermediate this relationship. Therefore, the authors propose that:

- P1. Dynamic capabilities do not have a direct impact on firm competitive advantage.

| Study | DC indicators | CA indicators | Relation |
|--|--|---|---|
| Teece (2007) and Weerawardena and Mavondo (2011) | Sensing, seizing and reconfiguring | Enhanced intangible and tangible assets, unreplicable capabilities and innovativeness | <i>Indirect relation</i> , dynamic capabilities do not have a direct impact on competitive advantage and dynamic capabilities provide the background for competitive advantage with new resource combinations |
| Eisenhardt and Martin, (2000), Helfat (1997); and Teece <i>et al.</i> (1997) | Organizational routines that tend to change existing resource base | Competitive advantage is measured within strategic performance and financial performance | <i>Indirect relation</i> and dynamic capabilities have a positive impact on firm competitive advantage by replacing or supplementing existing resources |
| Schilke (2014) | Alliance management capability (partner identification, inter-firm relationships, inter-organizational learning, etc.), new product development capability (organizational routines that aim to reconfigure product's portfolio) | Competitive advantage is measured within strategic performance (qualitative dimension) and financial performance (quantitative dimension) | <i>Indirect relation</i> and dynamic capabilities have a positive impact on competitive advantage, moderated by environmental dynamism |
| Li and Liu (2014) | Strategic sensemaking capacity, timely decision-making capacity and change implementation capacity | Financial indicators (profit, sales, revenue growth and operating costs), non-financial indicators (product/service quality, profitability of existing and new costumers and market share) in comparison with competitors | <i>Indirect relation</i> and dynamic capabilities have a positive impact on competitive advantage, moderated by environmental dynamism |

Table I.
Dynamic capabilities (DC) and competitive advantage (CA)

(continued)

Table I.

| Study | DC indicators | CA indicators | Relation |
|---------------|---|---|---|
| Ridder (2012) | Internal and external renewal of resources and capabilities (internal sensing, seizing, reconfiguring; external sensing, seizing and reconfiguring) | Measured through innovation: the efficiency and effectiveness of new product development, process efficiency refers to costs of development in comparison to competitors and product effectiveness refers to quality and level of innovativeness in comparison to competitors | <i>Indirect relation</i> , resource base is understood as a mediator and access to external resources influence operational capabilities and thus lead to competitive advantage |

Researchers developing the field of dynamic capabilities still do not agree about the importance of other related concepts, such as innovation, change management, recourse management, entrepreneurship and organizational learning. For example, researchers in different studies have already demonstrated the influence of learning, knowledge sharing and innovation development on the successful elaboration of the dynamic capabilities concept (Teece, 2007; Barreto, 2010; Adner and Helfat, 2003). While developing a dynamic capabilities framework, Teece *et al.* (1997) refer to the so-called Schumpeterian world, which is based on innovations, long-term competition and competencies. In increasingly competitive environment, dynamic capabilities become a crucial ability for achieving firm competitive advantage. Moreover, rapid and innovative responses are critical in a volatile environment and saturated markets. It is important to possess difficult-to-imitate competences and recourses (Teece *et al.*, 1997; Teece, 2014a). For these reasons, the ability to combine radical and incremental innovation becomes equally critical. Accordingly, further discussion on the relation between dynamic capabilities and competitive advantage will be focused on innovation, specifically on organizational ambidexterity as a simultaneous balance between radical and incremental innovation.

Organizational ambidexterity's relation to firm competitive advantage

The effectiveness of a simultaneous pursuit of both incremental and radical innovation depends on a firm's ability to balance explorative and exploitative activities (Simsek *et al.*, 2009). The definition of organizational ambidexterity as a concept dates back to March's (1991) landmark article. Though the author did not directly refer to this concept, he provided definitions of exploration and exploitation in the context of organizational learning (Lavie *et al.*, 2010; Raisch and Birkinshaw, 2008; Raisch *et al.*, 2009). March (1991) identified exploration and exploitation as two fundamentally different activities that demand different recourses and attentions of firm managers (Chang *et al.*, 2011; Raisch and Birkinshaw, 2008). Exploration is related to experimentation with new

alternatives that often have uncertain, risky and/or negative results. In contrast, exploitation refers to the extension of competencies, technologies or products that already exist and have positive and predictable results (Raisch and Birkinshaw, 2008; Chang *et al.*, 2011; Herzog, 2011, etc.).

In general, the concept of organizational ambidexterity has been defined using a number of theoretical perspectives (Table II) including organizational learning, organizational behavior and change management, innovation management and marketing management (Turner *et al.*, 2013).

| Research area | Study | Main aspects |
|---|-------------------------------|---|
| Organizational ambidexterity and organizational learning | March (1991) | The seminal paper for the research of simultaneous balance between exploration and exploitation |
| | Wang and Rafiq (2009) | Conceptualizes how organizational diversity and shared visions help to resolve tensions of organizational ambidexterity |
| Organizational ambidexterity and organizational changes | Tushman and O'Reilly (1996) | Incremental and radical changes must be implemented simultaneously that will lead to permanent success of the firm. |
| Organizational ambidexterity and innovation | He and Wong (2004) | Empirical exploration of interaction between exploratory and exploitative innovation |
| | Jansen <i>et al.</i> (2005) | Exploration of environmental and organizational antecedents' impact on organizational ambidexterity and focus on multi-units |
| | Andriopoulos and Lewis (2009) | Case studies in five ambidextrous firms, developing an alternative framework of innovation paradoxes: strategic intent, customer orientation and personal drivers |
| Organizational ambidexterity and dynamic capabilities | Tushman <i>et al.</i> (2002) | Exploration of how organizations shape their dynamic capabilities through the innovation streams. Exploration and exploitation are understood as dynamic capabilities that are built through different and complex organizational forms |
| | Güttel and Konlechner (2009) | Focus on contextual ambidexterity; firm's ability to be ambidextrous can be called as higher-order dynamic capability |
| Organizational ambidexterity and leadership | Jansen <i>et al.</i> (2008) | Empirically proved the positive relation between senior teams and organizational ambidexterity; leadership is indicated as a moderator of senior teams' effectiveness |
| Organizational ambidexterity and networks (inter-organizational collaboration, strategic alliances, etc.) | Tiwana (2008) | Ambidexterity is understood as the dual tension between strong and weak alliances' ties; strong ties and weak supplement each other with innovation potential and integration capacities |
| | Sun and Lo (2014) | Organizational ambidexterity is perceived as management of the paradoxes, alignment and adaptability lenses |

Table II.
Organizational ambidexterity in different research areas

The concept of organizational ambidexterity is equated to the management of inherently conflicting resources (Andriopoulos and Lewis, 2009; Simsek *et al.*, 2009), contradictory knowledge management processes (Floyd and Lane, 2000; Lubatkin *et al.*, 2006; Andriopoulos and Lewis, 2009), managing tensions among relatively contradictory activities (Andriopoulos and Lewis, 2009) and achieving contradictory goals (Simsek *et al.*, 2009, Nosella *et al.*, 2012). Though they require different activities, competencies and organizational routines, both exploratory and exploitative activities can be pursued simultaneously within one organization (Mattes and Ohr, 2013a). Researchers (Gupta *et al.*, 2006; Jansen *et al.*, 2008; Gibson and Birkinshaw, 2004) assume that the ability to successfully manage such differences ensures superior and sustained performance.

Nevertheless, the concept of organizational ambidexterity remains under development (Lavie *et al.*, 2010; Raisch and Birkinshaw, 2008). Also, though studies in organizational ambidexterity are not totally new, still notably little attention has been paid to organizational ambidexterity's impact on firms' results and to different variations of organizational ambidexterity across diverse research areas (Lavie *et al.*, 2010). We follow researchers that analyze organizational ambidexterity within the context of innovation (Andriopoulos and Lewis, 2009; Geerts *et al.*, 2010; He and Wong, 2004; Jansen *et al.*, 2005). For the purpose of this paper, organizational ambidexterity is understood as the ability to simultaneously balance between exploratory (i.e. radical) and exploitative (i.e. incremental) innovation (Li *et al.*, 2008; Raisch *et al.*, 2009; Simsek *et al.*, 2009; Prange and Schlegelmilch, 2010; Mattes and Ohr, 2013a, 2013b, 2013c).

The ability to implement exploratory and exploitative innovation simultaneously allows firms to meet their environments' and markets' challenges. Such challenges for innovation management are constantly on the increase: high-speed globalization is accompanied by industry assimilation, product life cycles are shortening and the importance of networks is rising (Prange and Schlegelmilch, 2010; Mattes and Ohr, 2013b). Such conditions demand the development of different types of innovation (i.e. exploratory and exploitative innovation) and organizational practices and activities (Jansen *et al.*, 2006; Li and Tsai, 2010; Wei *et al.*, 2011, etc.). As exploratory and exploitative innovations are two fundamentally disparate activities, they require particular environments, organizational structures and contexts (Chang *et al.*, 2011). Exploratory innovation focuses on new information, unexplored knowledge sources and undeveloped skills and competencies. In contrast, exploitative innovation builds upon existing knowledge, abilities and processes (Wei *et al.*, 2011). In more simple terms, exploration is comparable to searching for new knowledge, and on the contrary, exploitation refers to the application of shared knowledge (Inauen and Schenker-Wicki, 2012).

There are some contrasting details regarding organizational ambidexterity in the context of competitive advantage. Although there are a number of studies (Chang and Hughes, 2012; Jansen *et al.*, 2006) confirming innovation as a key source of firm competitive advantage, researchers have not empirically justified organizational ambidexterity's impact on firm competitive advantage yet. Researchers (O'Reilly and Tushman, 2013) who analyze organizational ambidexterity consider the concept of organizational ambidexterity to contribute to competitive advantage. However, we did not succeed in finding empirical evidence to support this. Most of the empirical studies analyze organizational ambidexterity's relation to firm performance (Table III). Though

Table III.
Empirical research
on organizational
ambidexterity and
firm performance
relation

| Paper | Organizational ambidexterity indicators | Firm performance indicators | Relation |
|---|--|---|---|
| The antecedents, consequences and mediating role of organizational ambidexterity (Gibson and Birkinshaw, 2004) | <i>Combination of two capacities—alignment and adaptability</i> | Relative firm performance: <i>full potential, satisfaction about the performance results and satisfaction of the customers and opportunities and stimulus for further strengths</i> <i>Relative firm performance: relative to competitors—sales growth, market share growth, return on equity and return on total assets</i> | Contextual ambidexterity is a <i>mediator</i> between contextual ambidexterity and firm performance |
| Ambidexterity and performance in small- to medium-sized firms: the pivotal role of top management team behavioral integration (Lubatkin <i>et al.</i> , 2006) | Ambidextrous firm orientation: <i>exploratory orientation and exploitative orientation</i> | <i>Relative firm performance: relative to competitors—sales growth, market share growth, return on equity and return on total assets</i> | Results approved both: top management team (TMT) facilitates the ambidexterity attainment in small and medium enterprises (SMEs); organizational ambidexterity is <i>positively associated</i> with relative firm performance |
| Strategic ambidexterity and sales growth: a longitudinal test in the software sector (Venkatraman <i>et al.</i> , 2007) | <i>Exploitation and exploration</i> | Firm performance measured as <i>firm sales growth</i> | Simultaneous ambidexterity does not have a positive effect on firm's growth; sequential ambidexterity has a positive effect on firm's growth |
| Unpacking organizational ambidexterity: contingencies and synergistic effects (Cao <i>et al.</i> , 2009) | Integrative construct of <i>exploration and exploitation</i> | <i>Sales growth, profit growth, market share growth, operational efficiency, cash flow from market operations and market reputation</i> | Findings confirm that these two dimensions have a <i>synergistic effect</i> on firm performance |
| Achieving a balance between exploration and exploitation in service firms: a longitudinal study (Geerts <i>et al.</i> , 2010) | Simultaneous ambidexterity— <i>balance between exploration and exploitation</i> ; sequential ambidexterity— <i>(punctuated equilibrium) time-spaced sequence of exploration and exploitation</i> | <i>Performance growth: firm size in employees, firm size in turnover and R&D expenses</i> | Organizational ambidexterity has a <i>positive effect</i> on manufacturing and service firms' <i>performance</i> |

numerous studies measure competitive advantage using variables similar to firm performance (Table I in a previous chapter), it is not necessarily valid to equalize firm performance results with firm competitive advantage. Competitive advantage, while having an effect on firm performance (Wang and Lo, 2003), does not necessarily ensure superior firm performance; these are two different constructs with a complex relation (Ma, 2000). Firm competitive advantage means having valuable, rare and difficult-to-imitate or difficult-to-substitute resources (Barney, 1991; Ma, 2000). However, possessing such resources does not ensure increased firm performance.

Turner *et al.* (2013) also confirmed the importance of organizational ambidexterity for firm competitive advantage. Yet, according to Turner *et al.* (2013), currently, limited understanding exists of how it is attained and managed. Following this, future research within the field of organizational ambidexterity should be focused on exploring the relationship between organizational ambidexterity and firm competitive advantage. We propose that:

P2. Organizational ambidexterity contributes to firm competitive advantage.

First, testing P2 would provide empirical evidence supporting the contribution of organizational ambidexterity to firm competitive advantage. Second, this would be the beginning of an empirically grounded conception of the relationship between dynamic capabilities, organizational ambidexterity and firm competitive advantage.

Organizational ambidexterity as a mediator in the relationship between dynamic capabilities and firm competitive advantage

When investigating a firm's ability to adapt to changes in a volatile environment, researchers (Eisenhardt and Martin, 2000; Teece, 2007; Wu, 2007; Zahra and George, 2002; Zollo and Winter, 2002, etc.) tend to focus on dynamic capabilities and organizational ambidexterity as well. Among the researchers (O'Reilly and Tushman, 2007; Xie *et al.*, 2011), Teece *et al.*, 1997 was the first to address the relationship between dynamic capabilities and organizational ambidexterity. Currently, researchers have proposed a number of competing positions on the relationship between dynamic capabilities and organizational ambidexterity.

Some researchers see organizational ambidexterity as a *type* of dynamic capability (Kriz *et al.*, 2014) or a core component for exploration and exploitation integration (O'Reilly and Tushman, 2008; Tushman *et al.*, 2004; Tran, 2008; Xie *et al.*, 2011). Others propose dynamic capabilities as an overarching concept to *enable* organizational ambidexterity (Güttel and Konlechner, 2009; O'Reilly and Tushman, 2008), to become one of the *fundamental components* for *achieving* organizational ambidexterity (Yigit, 2013) and to *serve for creating* organizational ambidexterity (Raisch *et al.*, 2009). Teece *et al.* (1997) considered dynamic capabilities to be the *reflection* of explorative and exploitative activities (Teece *et al.*, 1997). The latest perspective on the relation between organizational ambidexterity and dynamic capabilities proposes dynamic capabilities to be a *tailored version* of dynamic capabilities (Teece, 2014b) or a *base of* dynamic capabilities (O'Reilly and Tushman, 2011). Moreover, Kriz *et al.* (2011) and Güttel and Konlechner (2009) consider dynamic capabilities to be the organizational ambidexterity itself. Xie *et al.* (2011) also assume that organizational ambidexterity equates to an organization's dynamic capability. According to Kriz *et al.* (2011), organizational ambidexterity is a dynamic capability, which is responsible for the *reconfiguration of an*

organization's recourses. However, despite the number of perspectives, O'Reilly and Tushman (2013) confirmed that the concept of dynamic capabilities is the most appropriate lens through which organizational ambidexterity should be explored.

These perspectives illustrate the lack of agreement among researchers on the exact link between dynamic capabilities and organizational ambidexterity. We contend that these disagreements may be determined by existing theoretical views. Theoretically, organizational ambidexterity and dynamic capabilities are the subject of two competing points of view: some researchers see organizational ambidexterity (O'Reilly and Tushman, 2013) and dynamic capabilities (Teece *et al.*, 1997) as a capability, while others describe organizational ambidexterity (Gibson and Birkinshaw, 2004) and dynamic capabilities (Eisenhardt and Martin, 2000) as a process. The comparative analysis of dynamic capabilities and organizational ambidexterity concepts, which is aligned with two different viewpoints, is provided in Table IV.

Both concepts, organizational ambidexterity and dynamic capabilities, concern processes, such as sensing the environment, then selecting and taking the right decisions. Equally, both concepts imply similar capabilities and accordingly appear to be relatively close concepts. In this way, researchers (Güttel and Konlechner, 2009; Kriz *et al.*, 2011; Xie *et al.*, 2011) reasonably equate dynamic capabilities with organizational ambidexterity. However, we identify differences between these concepts as well. Thus, the authors do not consider these concepts as entirely equal concepts.

Dynamic capabilities maintain the alignment of an organization to a rapidly changing environment, while organizational ambidexterity supports simultaneous development of exploration and exploitation, thus ensuring competitive success (Tran, 2008). Following the notion that these concepts differ according to different viewpoints,

| Viewpoint | Dynamic capabilities variables | Ambidexterity variables | Inter-relationship |
|--------------|--|--|---|
| Capabilities | Absorptive Integrative Adaptive | Learning Innovating Balancing Optimizing | Capabilities help to manage challenges of dynamic environment; based on using existing resources and securing new ones; supplement each other; lead to superior performance and competitive advantage |
| Processes | Environmental scanning Adaptation of skills, resources and competencies Integration of skills, resources and competencies Reconfiguration of skills, resources and competencies | Exploitation of existing resources, capabilities and competencies Exploration of new resources, capabilities and competencies Coordination of contradictory activities Optimization of existing business models | Processes help to manage the rapidly changing environment; help to respond to customers' and markets' demands; supplement each other; lead to superior performance and competitive advantage |

Table IV.
Inter-relation
between dynamic
capabilities and
organizational
ambidexterity

other differences emerge. While dynamic capabilities imply capabilities to absorb and adapt or modify, organizational ambidexterity ensures capabilities to learn, optimize and balance. Moreover, we assume that corresponding processes of dynamic capabilities are enabled over exploratory and exploitative processes of organizational capabilities. In this regard, it can be presumed that the processes of organizational ambidexterity are settled by dynamic capabilities in a volatile environment.

It is clear that organizational ambidexterity complements dynamic capabilities, assuring the optimal balance between exploration and exploitation. This confirms that organizational ambidexterity is better understood as the integrated processes of dynamic capabilities rather than as another type of dynamic capability. Thus, the theoretical analysis in this paper supports O'Reilly and Tushman (2013), who see organizational ambidexterity as a part of a dynamic capabilities approach.

We follow the theoretical positions described in the first and second sections of this paper: dynamic capabilities can be measured as strategic processes, including sensing and seizing new opportunities, and operational processes, including reconfiguring existing knowledge, competences and recourses (Ridder, 2012; Teece, 2007). In turn, organizational ambidexterity is directed at exploratory processes, including searching for new knowledge and competencies, launching new markets and creating new products; and at exploitative processes, including the use of existing recourses, knowledge and competencies. Thus, based on theoretical findings, we assume that organizational ambidexterity should be considered as a set of integrated processes of a dynamic capabilities model (Figure 1).

Following the theoretical results and ideas presented in Figure 1, we conceptualize the exploration and exploitation processes. Exploration implies steps such as recognizing opportunities, managing uncertainty and ambiguity, optimizing the organizational processes, evaluating risk, acquiring recourses (including knowledge absorption, learning and team building) and developing new products/services/business models. Meanwhile, exploitation is simpler, usually of low risk and a short-term process, which includes the use of existing capacities and recourses (intellectual capital, human recourses and financial recourses), initiation of minor improvements in existing products/services/business models and adaptation to the current conditions in existing markets. After evaluating such a perspective in the context of innovation, we propose that organizational ambidexterity supplements dynamic capabilities in terms of optimizing and balancing processes. These issues demonstrate that organizational ambidexterity may be considered as a component of dynamic capabilities. Organizational ambidexterity contributes to sensing the antecedents to determine competitive changes in a volatile environment and seizing the processes that help to manage new challenges and remain competitive (O'Reilly and Tushman, 2011). In this way, these aspects lead to presumptions that dynamic capabilities may contribute to

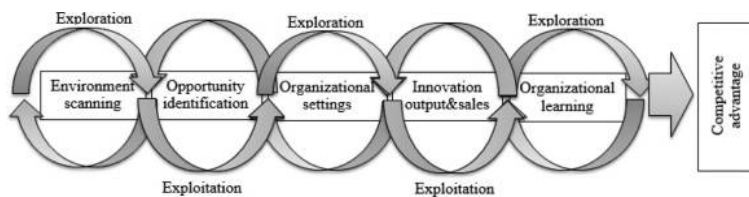


Figure 1.
The relationship
between
organizational
ambidexterity and
dynamic capabilities

stronger firm competitive advantage, with organizational ambidexterity as a mediator in this relation. Hence, authors propose that:

P3. Organizational ambidexterity is a mediating variable between dynamic capabilities and firm competitive advantage.

The authors understand dynamic capabilities to be a fundamental concept. This concept embraces organizational ambidexterity as one of the integrated processes needed by organizations to adjust to highly dynamic environments [Figure 1](#). These ideas suggest that organizational ambidexterity becomes a part of dynamic capabilities, helping to manage the demands of incremental and radical changes and ensuring the appropriate balance between exploratory and exploitative activities. Accordingly, the authors partly agree with [Teece, 2014a](#) that organizational ambidexterity can be considered as a “tailored version of dynamic capabilities”. However, as mentioned in the second section, organizational ambidexterity is used in various theoretical contexts. The context of innovation, selected in this paper, offers insights. As organizational ambidexterity is understood as a balance between radical and incremental innovation, the authors assume that organizational ambidexterity supplements dynamic capabilities with balancing capabilities, as well as balancing and optimizing processes. The authors also propose that organizational ambidexterity in some sense strengthens the dynamic capabilities model with an optimal balance between exploration and exploitation, thus helping to gain stronger and more stable competitive advantage.

Conclusions and further research

This paper contributes to the research literature in several ways. First, drawing on the existing research literature, the authors confirm that dynamic capabilities have an indirect impact on firm competitive advantage. This supports the need to further explore indicators that influence the relationship between dynamic capabilities and firm competitive advantage.

Second, it was found that organizational ambidexterity, meaning simultaneous implementation of radical and incremental activities, is considered to reduce the length of time required and contribute to firm competitive advantage and the sustainability of a firm. The results of this study revealed that although organizational ambidexterity is considered as contributing to firm competitive advantage, empirical evidence to support this relation is lacking. These results are consistent with the necessity to explore the way in which organizational ambidexterity contributes to firm competitive advantage.

Finally, this paper clarifies the relationship between dynamic capabilities and organizational ambidexterity. This issue remains crucial for further theoretical development of the concepts of dynamic capabilities and organizational ambidexterity. The theoretical findings described in this paper suggest that organizational ambidexterity plays a mediating role in the relationship between dynamic capabilities and firm competitive advantage.

As this is a theoretically based study, further development of the preposition is crucial. Further research is required to empirically test the relationship between dynamic capabilities and firm competitive advantage, considering organizational ambidexterity as a mediator.

Additionally, empirical research should explore various types of organizational ambidexterity and their potentially varied effects in mediating the relationship between

dynamic capabilities and firm competitive advantage. According to O'Reilly and Tushman (2013), different types of organizational ambidexterity (i.e. structural or contextual organizational ambidexterity) require different types of dynamic capabilities. The authors consider that this could also be the subject of further research. The relevant type of ambidexterity depends on the individual firm, its strategic context (including main goals and scopes), available resources (financial, technological and human) and available capabilities (including sensing, seizing and spearheading) (Mattes and Ohr, 2013). Thus, essential differences may be detected in different strategic activities, knowledge sharing and learning modes.

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