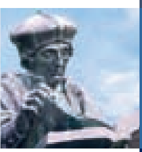
Corporate Entrepreneurship:

Sensing and Seizing Opportunities for a Prosperous Research Agenda

Justin J.P. Jansen

Erasmus Research Institute of Management - ERiM



Inaugural Address Series
Research in Management

Erasmus Universiteit Rotterdam

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Bibliographical Data and Classifications

Library of Congress Classification (LCC) http://lcweb.loc.gov/catdir/cpso/lcco/lcco.h.pdf	HD30.28, HB615 HD58.8, HM791
Journal of Economic Literature (JEL) http://www.aeaweb.org/journal/jel_class_system.html	L10, L21 M13, M14
Gemeenschappelijke Onderwerpsontsluiting (GOO) Classification GOO	85.10, 85.08
Keywords GOO	strategisch management, intern ondernemerschap, organisatieontwikkeling, mindsets, redes (vorm)
Free keywords	strategic and corporate entrepreneurship, organizational ambidexterity, exploration/exploitation, senior team attributes, sustained competitive advantage, strategic renewal, paradoxes, middle management, multilevel research, performance

Erasmus Research Institute of Management - ERIM
The joint research institute of the Rotterdam School of Management (RSM)
and the Erasmus School of Economics (ESE) at the Erasmus Universiteit Rotterdam
Internet: www.erim.eur.nl

ERIM Electronic Series Portal:
http://hdl.handle.net/1765/1

Inaugural Addresses Research in Management Series
Reference number ERIM: EIA-2011-046-STR
ISBN 978-90-5892-276-2

Design and layout: B&T Ontwerp en advies (www.b-en-t.nl)
Print: Haveka (www.haveka.nl)

This publication (cover and interior) is printed by haveka.nl on recycled paper, Revive®.
The ink used is produced from renewable resources and alcohol free fountain solution.
Certifications for the paper and the printing production process: Recycle, EU Flower, FSC, ISO14001.
More info: http://www.haveka.nl/greening

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Inaugural Lecture

Shortened form of address delivered at the occasion of accepting the appointment
as Endowed Professor of Corporate Entrepreneurship
at the Rotterdam School of Management, Erasmus University
on behalf of Vereniging Trustfonds EUR
on Thursday April 14, 2011

by

Justin J.P. Jansen

Rotterdam School of Management
Erasmus University
P.O. Box 1738
3000 DR Rotterdam
The Netherlands
E-mail: jjansen@rsm.nl

Samenvatting

Strategisch ondernemerschap en vernieuwing binnen organisaties worden alom door zowel wetenschappers als managers geroemd om organisaties te revitaliseren en prestaties te verbeteren. Het aansporen van ondernemerschap en vernieuwing binnen gevestigde organisaties vormt echter de grootste en belangrijkste uitdaging voor hedendaagse organisaties. Groter en ouder wordende organisaties hebben – net zoals mensen in zijn algemeenheid – de tendens om zich vast te houden aan bestaande manieren van denken, leren, managen en uitvoeren – ze worden steeds minder flexibel en zijn minder geneigd om naar nieuwe mogelijkheden te zoeken en aan te grijpen. Daarnaast bestaat er weinig twijfel over het feit dat de organisatiekenmerken voor het ondersteunen van vernieuwing en het benutten van nieuwe mogelijkheden radicaal anders zijn dan de kenmerken die benodigd zijn voor het uitvoeren van bestaande bedrijfsactiviteiten. Deze paradox maakt het gelijktijdig uitvoeren van beide activiteiten binnen organisaties dan ook zeer moeilijk en uitdagend. Gegeven de belangrijkheid voor het lange termijnsucces van organisaties is het echter noodzakelijk om te achterhalen hoe organisaties in staat zijn om conflicterende belangen te verenigen en de uitdagingen die samenhangen met ondernemerschap aan te gaan. Daarmee zijn we in staat om nieuw inzichten te bieden over de mogelijkheden van organisaties om tegelijkertijd oog te hebben voor innovatie en vernieuwing alsmede efficiëntie en kostenverlaging.

Het doel van deze oratie is het leggen van een gedegen basis en het identificeren van nieuwe mogelijkheden om onderzoek op het gebied van strategisch ondernemerschap en vernieuwing binnen organisatie te bevorderen. Mijn voordracht behandelt organisatie- en managementkenmerken van succesvolle organisaties op verschillende hiërarchische niveaus. Als afsluiting wordt beargumenteerd dat de integratie van onderzoek op het gebied van strategisch management en ondernemerschap verschillende nieuwe onderzoeksterreinen genereert voor een rijke en levensvatbare onderzoeksagenda.

Abstract

Strategic and corporate entrepreneurship have been widely acknowledged by scholars and executives alike as an effective means of revitalizing organizations to improve performance. Spurring entrepreneurial behavior and exploration within established organizations, however, remains a big challenge facing today's businesses. As organizations grow and age over time, like people in general, they tend to become set in their ways of thinking, learning, managing and acting – they become less flexible and less willing to sense and seize new opportunities. There is little doubt that the mindsets and organizational attributes needed for exploring and leveraging new opportunities are radically different from those needed for smoothening ongoing operations, making it difficult to pursue both sets of activities at the same time within an organization. Given the importance for future sustainable growth, scholars have yet to uncover how organizations may reconcile conflicting demands and resolve the challenges associated with corporate entrepreneurship's emphasis on leveraging existing opportunities as well as new ones 'out there'.

The aim of this inaugural address is to draw the foundations and to identify emergent opportunities for moving forward research on strategic entrepreneurship in general and on corporate entrepreneurship in particular. It considers the challenges associated with corporate entrepreneurship and details important organizational and managerial features of successful organizations that span different levels of analysis. The inaugural address concludes that the integration of theory and research in strategic management and entrepreneurship using such a multilevel approach generates valuable new research avenues underlying a prosperous research agenda.

Content

1. Introduction

Mijnheer de Rector Magnificus,
Geacht College van Dekanen,
Distinguished Colleagues,
Ladies and gentlemen, friends and family,

For today's organizations, creating new businesses is the challenge of the day. After years of downsizing and cost-cutting, organizations have come to realize that they can't shrink their way to sustainable success. They have also found out that tweaking existing offerings, taking over rivals, or moving into related product market combinations may not enable them to stay ahead of the competition. Because of maturing technologies, new competitors and ageing product portfolios, a new imperative has become clear: organizations need to create, develop and implement innovative new businesses. As such, organizations must become Janus-like, looking in two directions at once – with one face focused on leveraging existing opportunities and the other on seeking out new entrepreneurial opportunities.

Strategic and corporate entrepreneurship are risky endeavors. New business ventures that are set up within existing organizations face innumerable barriers, and research has shown that most of them fail. Despite the importance for organizations to spur creativity and innovation, they tend to rely on existing activities, and are focused on introducing products and services that build heavily on existing skills and technological capabilities. For instance, the iPod should have been a successful product of Sony. Of course! The Japanese corporation had a successful heritage in portable music devices, a popular brand, underlying technology and extensive distribution channels – almost everything you would expect for a company to make the transition towards digital music devices. Yet, it was Apple's Steve Jobs who recognized the potential for portable digital music by creating a new business model that incorporates both hardware and software. And there you go; a multi-billion business that generates revenues not only through selling portable music devices but also through distributing and selling music and video content via the internet (i.e. iTunes).

In a similar vein, we would expect Nokia to lead the battle of ecosystems that includes not only the hardware of the mobile devices but also associated platforms, applications, ecommerce, advertising and many other things. After all, Nokia is often viewed as the "world leader in mobility and driving the transformation and growth of the converging Internet and communications industries", as they argue on their website. Yet, their "platform is burning", according to Nokia's CEO Stephen Elop and companies like Google and Apple are catching up rapidly with having thousands of applications for their Android and iPhone platforms respectively. It is still quite unclear whether the announced alliance between Nokia and Microsoft will enable both companies to re-establish their position in the hyper-competitive environment of the worldwide mobile telecommunications.

So, what makes giants like Sony and Nokia misperceive market signals, to ignore threats, and to fail to bring in entrepreneurial initiatives for strategic renewal? Perhaps even more intriguing and provocative, why are so many established organizations unable to change even when managers are aware of the need?

To find answers to these important questions, we need to uncover what it means for organizations to take risks, initiate new product development and compete aggressively with rivals when their organizational context is generally geared towards managing and organizing day-to-day operations. A central issue in this respect is the notion that new businesses seldom mesh smoothly with well-established systems, processes and cultures. Yet the effectiveness of corporate entrepreneurship requires a blend of old and new organizational traits that emerges from a subtle mix of characteristics operating at different hierarchical levels. It emerges from a balancing act in setting strategy, operating a portfolio of businesses and constantly redesigning the organization. For the most part, this calls for organizations to have the dynamic capability to act ambidextrously and to keep opposing forces in equilibrium (O'Reilly & Tushman, 2007).

Most evidence about how corporate entrepreneurship can be successfully implemented is anecdotal in nature or based on cross-sectional studies that focus on alternative approaches that organizations may undertake to facilitate renewal. As such, insights into how and under what conditions organizations may reconcile conflicting demands and host exploratory and exploitative activities simultaneously are far from complete: fundamental pieces are missing. For instance, we still know little about how organizations mitigate a tendency to rely on current customers and markets. What is the role of senior executives in sensing and seizing opportunities and developing a context favorable for organizations and its units or teams to integrate seemingly contradictory forces? Obviously, understanding and managing corporate entrepreneurship goes back to the heart of research on strategic management, entrepreneurship and organizational ambidexterity, and provides considerable new insights into one of the most important challenges facing today's businesses.

The aim of my talk of today is to address and draw the foundations of corporate entrepreneurship and to identify emergent opportunities for moving forward research on corporate and strategic entrepreneurship. It considers the challenges and details important organizational and managerial features of successful organizations that span different levels of analysis. My inaugural address concludes that the integration of theory and research in strategic management and entrepreneurship using such a multi-level approach generates valuable new research avenues underlying a prosperous research agenda.

2. The Domain of Strategic and Corporate entrepreneurship

Let me start by explaining the domain of strategic and corporate entrepreneurship.

Entrepreneurship is widely viewed as an important stimulus for wealth creation as it facilitates innovation, renewal and the creation of added value for a wide variety of stakeholders (Hitt et al., 2001). In this respect, scholars have shown that the entrepreneurial orientation of organizations may contribute to performance by facilitating the identification of innovative opportunities with potentially large returns, targeting premium market segments, and obtaining first mover advantages (Lumpkin & Dess, 1996). Entrepreneurship itself refers to the recognition and exploitation of entrepreneurial opportunities that emerges from the acquisition of new knowledge sources or the recombination of existing knowledge sources in new ways (Kogut & Zander, 1992). As such, entrepreneurship focuses on newness and novelty in terms of new ideas, new products, new processes, or new markets. Indeed, the ability to create wealth comes from organizations with superior skills and capabilities in sensing and seizing entrepreneurial opportunities. Reflecting this importance, entrepreneurship has been suggested as being the foundation for building new competences along an established set of routines and capabilities (Ireland et al., 2003).

While the fields of strategic management and entrepreneurship have developed largely independently of one another, the intention behind both is to understand how firms recognize and exploit opportunities in order to create a sustainable competitive advantage (Hitt et al., 2001). Entrepreneurship specifically focuses on the development and exploitation of opportunities; strategic management is about how a competitive advantage is generated and maintained over time. Various scholars have begun addressing potential complementarities between both streams of literatures and have called for integrative perspectives in terms of strategic entrepreneurship or entrepreneurial action with a strategic perspective (Ireland et al., 2003; McGrath & MacMillan, 2000). There are several domains in which the integration between entrepreneurship and strategic management occurs naturally. One of these concerns the notion of entrepreneurial initiatives within established organizations, or *corporate entrepreneurship*.

Corporate entrepreneurship refers to the process of identifying and exploiting opportunities by creatively organizing new resource combinations

(Guth & Ginsberg, 1990). It may be initiated at different hierarchical levels or locations within organizations and becomes manifest in new routines and capabilities that determine how organizations respond to environmental demands. It is not only senior leadership that initiates entrepreneurial behavior within organizations but rather a complex orchestration of leadership, design, processes and systems that cut across hierarchical levels and together determine the extent to which organizations engage in entrepreneurial behavior. For example, 3M has a long history of venturing into new areas that clearly transcends tenures of multiple CEOs and top management teams (Hussey, 1997). Similarly, insights into different aspects of corporate entrepreneurship at Intel suggested that entrepreneurial initiatives originate from the interaction between individuals and groups at multiple levels within the organization (Burgelman, 1983). Although both organizations are quite different in terms of markets served and products generated, they share common attributes of flexible structures, entrepreneurial cultures, rapid decision-making and a passion for change and renewal.

In the broader literature on strategic management and entrepreneurship, corporate entrepreneurship has been associated with two distinct types of related phenomena and processes (Guth & Ginsberg, 1990; Zahra & Covin, 1995):

1) The initiation and generation of new businesses within established systems through internal innovation and/or corporate venturing
2) The transformation of organizations over time through strategic renewal

As an important component of corporate entrepreneurship, *innovation* is a company's commitment to creating and introducing new products, production processes, and management systems (Lumpkin & Dess, 1996; Vaccaro et al., 2011). The creation of an ongoing stream of new products, services and processes is intended to capitalize on latent or under-exploited market opportunities. In this respect, various studies have shown how the introduction of new products, processes or business models may dramatically alter the bases of competition in industries and change the way organizations operate. For instance, the integration of technologies as well as the importance of providing an extensive set of software applications associated with smart phones and tablets has generated powerful changes in the information and telecommunication industry as a whole. Nokia, as discussed earlier, now faces a challenging environment in which new entrants such as Google and Apple have introduced new products and associated services at a faster rate than Nokia.

Corporate venturing refers to entrepreneurial efforts within organizations that lead to the creation of new businesses (Burgers et al., 2009; Sharma & Chrisman, 1999). Such efforts usually lead to the formation of new organizational units within the organization's charter that are distinct from existing units or divisions. In addition to internal venturing activities, organizations may also create new organizational entities that reside outside their boundaries. Organizations may not possess the required knowledge sources to leverage complementarities and may be limited in their ability to produce entrepreneurial initiatives through internal R&D investments. To accommodate the acquisition and assimilation of complementary knowledge, organizations may turn to external venturing activities such as corporate venture capital investments, alliances, and joint ventures (Schildt et al., 2005; Van de Vrande et al., 2009).

Finally, through *strategic renewal*, organizations seek to redefine their relationship with markets and industry competitors by fundamentally changing the way they compete. Strategic renewal aims at revitalizing an organization's operations by changing the scope of its business, its competitive approach, or both (Stopford & Baden Fuller, 1994; Zahra, 1993). As with innovation and corporate venturing, strategic renewal activities enhance an organization's ability to change and take risks over time, which may or may not involve the addition of new businesses.

Taken together, research on strategic and corporate entrepreneurship has acknowledged the importance of entrepreneurial efforts for increasing survival rates and for sustaining competitive advantages over time (Ireland et al., 2003). Although each of the phenomena associated with corporate entrepreneurship contributes to firm viability in distinct ways, many entrepreneurial initiatives fail and studies have identified a number of reasons for why it is challenging and difficult. With respect to these difficulties, scholars have discussed the need to experiment with new, emerging and distant technologies (Ahuja & Lampert, 2001), to accept failure from learning and use it as an opportunity to gain new insights (McGrath, 1999), and to balance exploration and exploitation to address conflicting demands within the environment (Ireland et al., 2003; Tushman & O'Reilly, 1996). But what exactly makes these phenomena underlying corporate entrepreneurship an important hurdle for organizations? And what may be viable ways to respond to these challenges? It's now time to look at those challenges, and seek out potential solutions.

3. What makes Corporate Entrepreneurship challenging?

It's no secret that established organizations are generally designed to ensure the success of ongoing businesses. Organizations tend to fine-tune their top management teams, designs, processes and systems to enable them cater for and respond to existing customers in well-known markets. For today's organizations, therefore, creating and nurturing entrepreneurial opportunities is the challenge of the day. Certainly, the road to successful innovation, venturing and renewal is littered with failures. We know, for instance, that new businesses do not flourish well in established systems, and may disrupt ongoing operations in significant ways. A central premise of March's (1991) seminal framework concerns inherent trade-offs between activities geared towards exploration (or entrepreneurship) and those associated with exploitation. The opposing nature of both activities derives from several attributes about learning and inertia, risk and resource allocation constraints as well as the fundamentally different organizational contexts associated with both behaviors. Building on these notions, I will proceed by revealing and discussing the management issues facing established organizations when they pursue new business creation through innovation, venturing or renewal. In other words, what makes corporate entrepreneurship challenging and littered with failures?

First, promoting unconventional thinking within established organizations is hard. In addition to seeking new entrepreneurial opportunities (which in itself can be problematic), it is also necessary for organizations to challenge the status quo. Organizations, however, tend to accentuate existing competencies and to search for solutions that relate to existing expertise or knowledge. Research based on the Erasmus Innovation Monitor, for instance, has consistently shown that an overwhelming 85 percent of Dutch firms rely on the exploitation of existing skills and competences associated with current product-market combinations. An alarming signal, therefore, is that less than 10% of the revenues from Dutch companies come from products and/or services that have been developed in the last three years (Erasmus Innovation Monitor, 2005-2010). Various other studies ranging from petroleum to semiconductor industries have shown similar patterns in that R&D investments vary little from year to year and tend to concentrate on related domains. As a result, firms increasingly maintain the status quo, exhibit convergence and develop highly specialized competences that may become core rigidities (Leonard-Barton, 1992). Although exploitation may enhance short-term performance, it can result in a competence trap (Ahuja & Lampert, 2001; Levinthal & March, 1993) since organizations may not be able to respond adequately to environmental changes (Jansen et al., 2005). When organizations learn from experience, they create well-established beliefs about reality and may become 'skillfully incompetent' (Argyris, 1993) by focusing on existing capabilities and by becoming removed from other sources of experience.

Second, entrepreneurial initiatives are essentially unproven and generally lack hard data. As such, evaluating, developing and controlling such initiatives entails a high degree of uncertainty (Shimizu, 2011), yet some of the 'foolish' ideas may turn out to contribute significantly to the competitiveness of organizations. In their study on corporate entrepreneurship in 10 European firms, for instance, Stopford and Baden-Fuller (1994) observed that – because of the uncertainty and risks involved – most organizations experience numerous false starts and partial actions that only at a later stage turn out to have underpinned a climate of change and adaptation. Thus, while there are many examples of breakthrough innovations that were initiated by zealous scientists or entrepreneurs such as Jack Ma from Alibaba.com in China or Mark Zuckerberg from Facebook in the US, the risk of failure in bringing such innovations to market may be too much for established firms. Innovation goes hand in hand with entrepreneurial activity and inevitably leads to many failures and relatively few successes. Encouraging entrepreneurial activities means promoting a risk-taking culture as well as tolerating the failures when they occur. Organizations, however, tend to extend previous investments because of the risk and sunk costs involved in adopting alternative directions. Because returns to exploitation are ordinarily more certain, closer in time, and less risky than those to exploration (Levinthal & March, 1993), firms consider investments in entrepreneurial initiatives less attractive and potentially less rewarding.

Third, corporate entrepreneurship creates paradoxical challenges within established organizations. Whereas the search for new opportunities requires experimentation, flexibility, and divergent thinking, exploitation of existing operations is generally associated with efficiency, refinement, and focus (March, 1991). Combining both types of activities within the same system (Gupta et al., 2006), therefore, leads to the presence of multiple and often conflicting goals, and poses considerable challenges to established organizations. In this respect, we found that underlying organizational aspects of explorative processes in venturing units are at odds with the exploitative processes associated with ongoing business operations (Jansen et al., 2006). Centralization of decision-making reduces non-routine problem solving and the likelihood that unit members seek innovative and new entrepreneurial solutions. Moreover, formalization, or the extent of rules and regulations, enables units to codify best practices, makes them more efficient, and accelerates the implementation of exploitative activities. In a more general sense, scholars have observed that exploratory units are more decentralized, with loose cultures and processes, while exploitative units are more centralized, with tight cultures and processes (Benner & Tushman, 2003).

Overall, new entrepreneurial opportunities or exploratory activities do not only require knowledge and capabilities that depart radically from existing knowledge, skills, or patterns of capabilities, new businesses creation also requires the allocation of resources to more risky entrepreneurial efforts for which business models may not even be fully defined. As such, corporate entrepreneurship presents important organizational and managerial challenges. Although previous research has started to uncover appropriate contexts for innovation, venturing, and strategic renewal to prosper, our understanding of how organizations may respond to these challenges and to reconcile paradoxical forces is far from complete. Therefore, I propose to crisscross debates in literatures on strategic management, entrepreneurship and organizational ambidexterity in order to arrive at potentially viable solutions.

4. Meeting the Challenge of Corporate Entrepreneurship: Crisscrossing Debates on Strategic Management, Entrepreneurship and Ambidexterity

Despite the challenges, organizations that host entrepreneurial and exploratory activities alongside ongoing businesses are associated with significantly better results (He & Wong, 2004; Tushman & O'Reilly, 1996). Organizations which currently have competitive advantage but have not implemented new opportunities are exposed to increased risk that market changes may diminish the rate of wealth creation (Ireland et al., 1993). At the same time, organizations might be able to identify opportunities but if they do not have the capability to exploit them effectively, they will not be able realize their potential wealth creation (Zahra & George, 2002). Hence, organizations need to combine effective opportunity-seeking behavior (i.e., entrepreneurship) with effective advantage-seeking behavior (i.e., strategic management). Pursuing exploration and exploitation simultaneously not only helps organizations to overcome structural inertia that results from focusing on exploitation, but also helps to prevent them from accelerating exploration without gaining benefits (Levinthal & March, 1993).

Traditional models of organizational adaptation and change have depicted organizations as going through sequential cycles of longer periods of exploitation and short bursts of exploration (Tushman & Anderson, 1986). More recently, scholarly insights have been developed into the ability of organizations to simultaneously pursue exploratory and exploitative activities. This dynamic capability, referred to as *organizational ambidexterity* (Jansen et al., 2009a; O'Reilly & Tushman, 2007), has received increasing attention in understanding how organizations may develop a competitive advantage and survive over time. Successful organizations are thought to be ambidextrous – they generate competitive advantages through revolutionary and evolutionary change (Tushman & O'Reilly, 1996), adaptability and alignment (Gibson & Birkinshaw, 2004), or simultaneously pursuing exploratory *and* exploitative innovation (Jansen, 2005; Benner & Tushman, 2003). As such, organizations need specific approaches to resolve paradoxical demands. Thus far, a deep understanding of organizational and managerial implications of each of these distinct approaches is still lacking and more conceptual and empirical insights are needed. Let's discuss some of these approaches that have appeared in the last decade or so and the associated implications for an organization's leadership, design, processes and systems.

First of all, scholars have typically recognized that organizations may resolve conflicting demands within organizations by separating out exploration and exploitation structurally in different units (Tushman & O'Reilly, 1996). Such an architectural solution – or *structural ambidexterity* – helps organizations to buffer the development of new capabilities in exploratory units from ongoing operations in exploitative units (Benner & Tushman, 2003; Jansen et al., 2009a). Such structural differentiation results in separate entrepreneurial or venturing units that operate under the umbrella of the wider organization (Benner & Tushman 2003, Tushman & O'Reilly 1996). It safeguards exploratory efforts within entrepreneurial units from exploitative mindsets present in the parent's mainstream activities. Structural ambidexterity lowers the tendency of parent organizations to assert authority over new ventures and nurtures the ability to run local experiments that would not have been possible in a world of established business models and rigid product templates (Gilbert, 2005). However, for these differentiated competences across subsystems to be useful, they must be effectively allocated, mobilized, and integrated (Sirmon et al., 2007). Research on corporate entrepreneurship and organizational ambidexterity, therefore, should carefully address managerial and organizational implications associated with these balancing acts across units or organizational boundaries.

Second, an emerging perspective on achieving ambidexterity has argued that the paradoxical demands may be more effectively resolved within units rather than across units by allowing individuals to make their own choices as to how they divide their time between alignment and adaptability (Gibson & Birkinshaw, 2004). This behavioral solution – or *contextual ambidexterity* – implies that ambidexterity emerges from a business context and may facilitate business units or even teams to pursue exploration and exploitation simultaneously. The concept of contextual ambidexterity differs substantially from the structural approach as it builds on a set of processes or systems that enable individuals to make their own judgments about how to divide their time between conflicting demands (Gibson & Birkinshaw, 2004). Rather than creating dual structures with separate ventures or exploratory units, this approach manifests itself in specific actions of individuals throughout business units or teams.

Third, it is well accepted that organizations may not only differentiate exploratory and exploitative activities within their organizational boundaries, they may also opt for collaboration with external partners that may provide novel knowledge and ideas to fuel their entrepreneurial process. In particular, Lavie and Rosenkopf (2006) have shown how organizations may balance exploration and exploitation in their alliance portfolio over time and across distinct domains. Likewise, other scholars have looked into specific external linkages enabling organizations to acquire and assimilate new external knowledge, such as corporate venture capital (Dushnitsky & Lenox, 2006), strategic alliances (Rothaermel & Deeds, 2006), and university-industry relationships (George et al., 2002).

As part of the Erasmus Innovation Monitor, we also investigated the role of external relationships in an organization's ability to develop new products and services and particularly addressed the importance of offshoring – the extent to which organizations relocate business activities to foreign locations. Offshoring enables organizations to unleash unrealized potential for firm innovativeness as they leverage specialized knowledge sources from foreign locations. We found that the extent to which organizations offshore primary activities such as research and development, production, and engineering, increased the innovativeness of organizations at the home location (Mihalache et al., 2011). Despite these intriguing findings showing the importance of external relationships, I will focus on spurring innovation and entrepreneurial efforts within established organizations rather than across organizational boundaries.

Corporate Entrepreneurship: Balancing Acts within Organizations

Although research on the importance of differentiation and integration within organizations goes back to the 1960s (Burns & Stalker, 1961), the deployment of exploratory and exploitative activities in structurally differentiated units and the achievement of organizational ambidexterity require new organizing logics and collective patterns of interaction. Yet, insights into this dynamic capability of organizations to manage the differentiation-integration tension are still lacking and scholars have called for more research in this area (Phan et al., 2009; Raisch et al., 2009; Simsek, 2009). In an effort to draw the foundations of ambidexterity as a dynamic capability (O'Reilly & Tushman, 2007), various studies have particularly focused on the role of senior leadership and top management teams and on specific integration mechanisms operating at lower levels within organizations.

O'Reilly and Tushman (2004) found that exploratory and exploitative units – although autonomously managed – remain strategically integrated into the senior management hierarchy. Senior management allows departure from existing knowledge within exploratory units, yet establishes cross-fertilization and synergies with ongoing businesses in exploitative units (Tushman & O'Reilly, 1996; Van Doorn et al., 2011). In addition, they need to allocate scarce resources to both types of units: allowing experimentation and avoiding resource constraints when exploratory activities become overwhelmed by mature businesses. Accordingly, scholars have argued that an overarching set of values, team integration processes, and common fate incentive systems enable senior teams to manage inconsistent alignments (Siegel & Hambrick, 2005; Tushman & O'Reilly, 1996).

In a related research project (Jansen et al., 2008), we specifically addressed the important role of senior executives as drivers of entrepreneurial efforts within established organizations. Findings indicated that a shared set of goals and values provides a common strategic direction that ameliorates conflicting interests and disagreement. It can override the adverse effects of divergent goals and conflicting perspectives among senior team members responsible for exploratory and exploitative units. Hence, a shared vision motivates senior team members to generate opportunities for resource exchange and combination across exploratory and exploitative units (Brown & Eisenhardt, 1995; Tushman & O'Reilly, 1996). It contributes to a collective understanding of how senior team members might resolve contradictory agendas and engage in productive behaviors towards overarching goals. Additionally, team contingency rewards create an outcome interdependency among senior team members (Wageman, 1995) and encourage them to achieve integrative value through identifying ways to use shared resources across exploratory and exploitative units. In this sense, team contingency rewards motivate senior team members to transcend their unit's direct interests and to establish ways to allocate resources to both exploratory and exploitative innovation.

Finally, we argue that transformational leaders may affect their senior team's effectiveness by participating in and facilitating senior teams to resolve conflicts and contradictory demands. Leaders exert their influence by broadening and elevating team members' goals and providing them with confidence in performing beyond expectations (Dvir et al., 2002). Accordingly, leaders in organizations engaging in entrepreneurial endeavors may be more or less directive in affecting senior team dynamics and influence the way how senior teams reach closure on a decision, direct team discussion and structure debate (Edmondson et al., 2003). Intervention of transformational leaders has appeared to be particularly relevant to senior teams with goals and perspective asymmetries across senior team members. By translating shared goals and collective values in desired behavior, for instance, transformational leaders enhance the effectiveness of a senior team's shared vision to reconcile conflicting agendas and to implement synergies across exploratory and exploitative units.

Overall, our study clarified how senior executives play a significant role in recognizing and translating different, ambiguous and conflicting expectations into workable strategies (Smith & Tushman, 2005) and in developing the organization's ability to host entrepreneurial efforts alongside existing operations.

Whereas senior executives are responsible for balancing resource allocation and developing strategic coherence, integration mechanisms at lower hierarchical levels aim at facilitating knowledge exchange and combination among differentiated exploratory and exploitative units. Gilbert (2006), for instance, has shown that structural differentiation does not preclude interaction between new ventures and current businesses during a newspaper organization's response to digital publishing. Horizontal linkages remained in place, content was shared, and joint selling was continued in some product areas. Through combination and integration of differentiated skills and experiences, organizations are able to add or remove product subsystems and change linkages between different subsystems. Thus, they are able to synchronize, maintain and further build portfolios of exploratory and exploitative innovation simultaneously (Tushman et al. 2010).

Integration mechanisms not only facilitate new value creation through linking previously unconnected knowledge sources (Cohen & Levinthal, 1990), they also provide opportunities to leverage common resources and obtain synergies across exploratory and exploitative units (O'Reilly & Tushman 2007). Integrative efforts are vital to ambidextrous organizations as existing knowledge sources in exploitative units may need to be revisited, reinterpreted and applied in exploratory units due to changes in the organization's strategy or environment (Postrel, 2002). My own research in this respect (i.e. Burgers et al., 2009; Jansen et al., 2009b) revealed that organizations should carefully design and implement specific types of integration mechanisms at lower hierarchical levels to counterbalance differentiation and potential fragmentation of organizational units. Tushman et al. (2010) have called these cross-unit interactions "targeted structural linkages" such as cross-functional teams and task forces that bring together employees who have distinct expertise underlying innovation streams and cut across exploratory and exploitative unit boundaries. Knowledge associated with current products and services may be underexplored due to a lack of capabilities or complementary knowledge in exploratory units (Prabhu et al., 2005). Cross-functional interfaces help organizational members from distinct units to reach a common frame of reference and to build understanding and agreement. They provide platforms that keep multiple innovation streams connected and facilitate the generation and recombination of knowledge sources. Yet, they retain the integrity of contradictory structures and processes in exploratory and exploitative units (Gilbert, 2006).

Although important steps have been taken to understand the role of senior executives and cross-functional interfaces in hosting contradictory demands, the role of middle managers in corporate entrepreneurship in particular and organizational ambidexterity in general has received far less attention (Ireland & Webb, 2009). Yet, middle managers are suggested as being linking pins in identifying synergies across different units and in leveraging core technologies as well as complementary assets (Floyd & Lane, 2000; Taylor & Helfat, 2009). First, middle managers bridge the gap between strategic- and operational-level managers. Because of this, they are instrumental in how a firm's entrepreneurial vision as well as associated structures, processes and systems become applied at lower hierarchical levels. Middle-managers are also important internal advisors of top management teams as they keep them apprised of entrepreneurial opportunities that have been identified within their units (Alexiev et al., 2010). Yet about half of the strategic decisions in organizations fail for reasons relating to strategy implementation, and research on the interface between top-management and middle management is relatively scarce (Raes et al., 2011). Second, middle-level managers are ideally positioned to integrate knowledge and information among operationally, structurally, and culturally different exploratory and exploitative units (Mom et al., 2009). This is crucial as the emergence of entrepreneurial opportunities may rely heavily on ongoing businesses at other units and vice versa. Yet, we know little about the way middle managers may realize such synergies and we need to understand the underlying attributes as well as the outcomes of middle-managers' behavior in this respect. To gain new insights into these phenomena, we therefore initiated a new research project together with Slawek Magala and Sebastian Fourne that particularly addresses the role of middle managers. We need further insights into the behavior of middle managers that facilitates the emergence of ambidexterity within the organization, and hence, how they might contribute to corporate entrepreneurship within organizations in general.

In addition to examining the role of middle managers in detail, future research may also address dynamic patterns of differentiation and integration that organizations may use over time. To preserve the heterogeneity of ideas and to permit the transfer of successful ideas across the organization, units may be temporarily established and subsequently reintegrated or remain semi-isolated with a small-fraction of cross-unit linkages (Fang et al., 2009; Lavie et al., 2010).

There is virtually no research on this dynamic aspect of differentiation vs. integration in corporate entrepreneurship and ambidexterity and the implications of using more hybrid approaches to differentiate and integrate venturing or exploratory units have not yet been explored.

Corporate Entrepreneurship: Balancing Acts within Business Units and Teams

Although most studies on entrepreneurship and ambidexterity have drawn on the idea that organizations need to separate exploratory and entrepreneurial activities from ongoing operations, scholars have increasingly recognized business units and teams as key mechanisms in reconciling tensions associated with spurring entrepreneurial behavior as well as adhering to existing routines and capabilities. This line of research generally builds on the assertion that despite inherent risks and challenges involved, pursuing ambidexterity might increase a unit's or team's performance by enabling it to be innovative and flexible without losing the benefits of efficiency (Gibson & Birkinshaw, 2004; Gilson et al., 2005). Indeed, although the emergence of unit ambidexterity may provide specific advantages in terms of avoiding the problems associated with horizontal integration across dispersed units (Eisenhardt et al., 1997), the pursuit of ambidexterity within units or teams gives rise to contradictory structures and processes not only within their context but also across hierarchical levels that may impact subsequent unit performance. We need to get a better understanding of the challenges associated with hosting contradictory processes within units and teams.

Together with Zeki Simsek and Qing Cao from the University of Connecticut (Jansen et al., 2011), I recently developed a multilevel perspective on contextual ambidexterity in which structural and resource characteristics of the overall organizational context influence business unit discretion and flexibility in leveraging ambidexterity to increase subsequent unit performance. To develop our core ideas, we discuss the specific structural and resource attributes of an organization that shape the relationship between unit ambidexterity and performance. For instance, when situated in differentiated and centralized context, we expect ambidextrous units to be continuously challenged and stifled due to inconsistent structures, systems, and processes across units and also because of the formalization of control mechanisms within the entire organization. Conversely, a less differentiated and less centralized context may help boost performance by allowing ambidextrous units to leverage their own unique product-market domains and to freely adapt to contradictory demands, with only limited constraints being imposed by the overall organization and other units (Galunic & Eisenhardt, 2001).

Beyond these core elements of organizational structure, the availability and interdependency of resources within the organization can also shape the unit's ambidexterity-performance link. The acquisition and deployment of organizational resources may considerably ease the constraints imposed on ambidextrous units, yet the difficulty in utilizing interdependent resources represents a powerful countervailing force potentially mitigating their flexibility to execute ambidexterity to their own advantage (Cao et al., 2009). Thus, this research project develops a novel understanding of multilevel dynamics by positing that the ambidexterity-performance linkage at the business unit-level is contingent upon structural (i.e. differentiation and centralization) and resource (i.e. type, munificence and interdependency) attributes at the organizational-level.

Many organizations are adopting team-based structures to facilitate innovation within their organizations. Simultaneously, teams are encouraged to standardize work practices and to adhere to consistent sets of procedures. Consequently, they also face an interesting dilemma as to how to carry out their work. In this respect, research has shown that teams are indeed capable of hosting contrasting approaches such as creativity and standardization (Gilson et al., 2005) and local and distant search (Wong, 2004). Likewise, a recent study that I conducted with Konstantinos Kostopolous from EADA Business School in Spain and Alexandros Papalexandris from the Athens University in Greece (Kostopolous et al., 2011) examined potential complementary effects between a team's potential and realized absorptive capacity, and we reveal the importance of team social integration in realizing such complementarities. Using a multi-source and cross-country sample of 138 product development teams, our results demonstrate the trade-offs and tensions that teams may be confronted with when leveraging their potential and realized absorptive capacity, and we discuss how these tensions can be managed and resolved successfully in socially integrated group contexts.

Thus, the core ideas of research on unit-level and team-level ability to incorporate conflicting approaches have addressed the importance of enhancing variation to gear up entrepreneurial behavior as well as minimizing variance to ensure consistent operations. Our research looking at 174 members of 34 self-managing teams at a large consultancy firm (undertaken together with Michiel Tempelaar) has shown that teams are indeed able to act ambidextrously by reconciling conflicting demands in a purposeful way. Based on a multilevel-perspective, we showed how the extent to which both individual-level attributes such as creative problem-solving behavior as well as team-level contextual conditions such as trust and shared values appeared to drive complex team behavior. With that, our study provides new insights into how teams may utilize a diverse set of skills and capabilities of their individual members effectively to pursue seemingly paradoxical forces.

Overall, research has increasingly addressed the challenges of combining opposing forces within the same subsystems, such as units and teams. Much more remains to be understood however, in terms of what underlying team attributes and processes increase the likelihood that teams may be entrepreneurial while maintaining a sufficient level of efficiency, or how teams are able to acquire and assimilate new external knowledge while transforming and exploiting existing knowledge sources simultaneously (Wong, 2004).

Sustaining Corporate Entrepreneurship and Ambidexterity over Time: Hybrid Approaches

Finally, studies have begun exploring the fundamental attributes of organizations that enable them to continuously change (Brown & Eisenhardt, 1997) or manage paradoxes across different levels of analysis (Andriopoulos & Lewis, 2009). By extending thinking beyond static insights into organizational and managerial attributes, these studies provide more dynamic insights into how organizations make the transition from one technology to the other and renew strategically over time. Brown and Eisenhardt (1997), for instance, found that organizations used 'semi-structures' that exhibit partial order and lie between the extremes of very rigid and highly chaotic organization. They observed that managers with successful portfolios of activities maintained a linkage between present ideas and future outlooks. Overall, their study suggested the importance of a paradigm shift that emphasizes dynamic organizations and continuous change as core in understanding successful organizations over time.

In a joint research project with Michael Tushman from Harvard Business School and Costas Andriopolous from Cardiff University , I intend to crisscross debates among scholars as to how organizations may reconcile conflicting demands over time. Building on the notion that ambidexterity is ubiquitous and influential in firm performance, our case study of seven new product design firms provides new insights into how ambidexterity originates, becomes embedded and retained in organizations over time. The theoretical framework emphasizes that organizations use specific pathways for ambidexterity to emerge and be maintained over time. Our particular contribution is to demonstrate how the organizational context and senior leadership may interact as to develop specific hybrid pathways of developing organizational ambidexterity as a dynamic capability. Thus far, no research has investigated potential complementarities between alternative approaches across hierarchical levels within organizations and scholars have called for more insights. While more research is needed to establish this conjecture unequivocally, we intend to investigate whether ambidextrous organizations may use more dynamic approaches that reflect aspects of structural, contextual, or external approaches.

5. Conclusion

I believe that the integration of theory and research in strategic management, entrepreneurship and organizational ambidexterity, as suggested by research highlighted in my inaugural address, will help to build a fruitful research agenda. My inaugural address discussed certain types of leadership, structures, processes and capabilities across different levels that organizations require to sense and seize opportunities and balance both the development and exploitation of entrepreneurial opportunities. The theoretical and empirical contributions outlined today and the research questions that lie ahead of us will hopefully serve as a catalyst to further integrative research that will increase our understanding of strategic management, entrepreneurship, and organizational ambidexterity as a viable path to wealth creation.

6. Words of thanks

At the end of my inaugural address, I would like to thank all those who contributed to my appointment at the Erasmus University and who have inspired and helped me along the road that brought me here.

Distinguished Board and President of Erasmus University, Deans of the Rotterdam School of Management, Erasmus University and Members of the appointments and advisory committee, I am very grateful for the confidence and opportunity you have given me with this appointment. I hereby gratefully accept the position, and I will do my very best to contribute to our School in general.

Distinguished Colleagues,

It's a great pleasure to work with you and to be part of a team of young, enthusiastic, yet sometimes a bit weird people! I have experienced many enjoyable moments that go far beyond what you normally expect from working at a university. Thanks for sharing all your ideas about research and teaching, but maybe most important, about life in general. I look forward to contribute towards shaping an inspiring context!

Lieve Familie en Vrienden,

Een carrière in de wetenschap is niet iets waar velen van jullie, inclusief ikzelf, aan dachten toen wij in het verleden gekscherend spraken over onze toekomstplannen. Maar misschien is dat ook wel het leukste aan het leven: het is relatief onvoorspelbaar en daardoor neem je belangrijke stappen op basis van je gevoel. Maar een belangrijke basis en stabiele leidraad is cruciaal. En dat vormen jullie! We kennen elkaar al jaren en ik ben zeer blij om deelgenoot te zijn van jullie leven om gezamenlijk het mooiste ervan te maken! Bedankt voor alle interesse, humor, steun, inzichten en ideeën om het leven – zeker ook als een academicus – zo rijk en boeiend mogelijk te maken.

Lieve Linda, Caren en Julian,

Linda, ons groeiende gezin vormt het belangrijkste in mijn leven dat wij de afgelopen jaren hebben opgebouwd. Het is soms een hectisch bestaan met twee kleine kinderen, maar mijn dierbaarste en mooiste momenten heb ik samen met jouw beleefd. Je bent voor mij een onvoorwaardelijke bron voor inspiratie, liefde en geluk, en een voorbeeld in vele opzichten. Caren en Julian, ik kijk ernaar uit om jullie te zien opgroeien in ons gezin en te laten kennismaken met de vele facetten van het leven!

Ik heb gezegd.

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Justin J.P. Jansen is professor of Corporate Entrepreneurship at the Rotterdam School of Management, Erasmus University. His research bridges strategic leadership, organizational learning, ambidexterity, and corporate entrepreneurship and has appeared in journals like the Academy of Management Journal, Journal of Business Venturing, Journal of Management Studies, Leadership Quarterly, Management Science and Organization Science. He is currently an associate editor for the Journal of Management Studies and serves on the editorial boards of the Academy of Management Journal and Strategic Management Journal. Justin has consulted for various public and private sector organizations on the role of management innovation, entrepreneurship, knowledge transfer and leadership.

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ISBN 978-90-5892-276-2

Erasmus Research Institute of Management - ERiM

Erasmus Research Institute of Management - ERiM
Rotterdam School of Management (RSM)
Erasmus School of Economics (ESE)
Erasmus University Rotterdam (EUR)
P.O. Box 1738, 3000 DR Rotterdam,
The Netherlands

Tel. +31 10 408 11 82
Fax +31 10 408 96 40
E-mail info@erim.eur.nl
Internet www.erim.eur.nl

Design & layout: B&T Ontwerp en advies (www.b-en-t.nl) Print: Haveka (www.haveka.nl)