

‘The influence of team diversity inside and outside the team, on the level of ambidexterity’

Summary research proposal

Master thesis Strategic Management, Rotterdam School of Management, Erasmus University

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1.1 Exploitation en exploration: ambidexterity

To be successful on both the short term as well as the on the long term, companies need to be able to both ‘explore’ and ‘exploit’. *Exploration* is related to radical innovation; the development of new products and/or new markets. Activities related to exploration are experimenting, taking risks, increasing variety, the search for new knowledge, etc. A firm engages in explorative activities to achieve congruence with the changing business environment and to create ‘profits for tomorrow’.

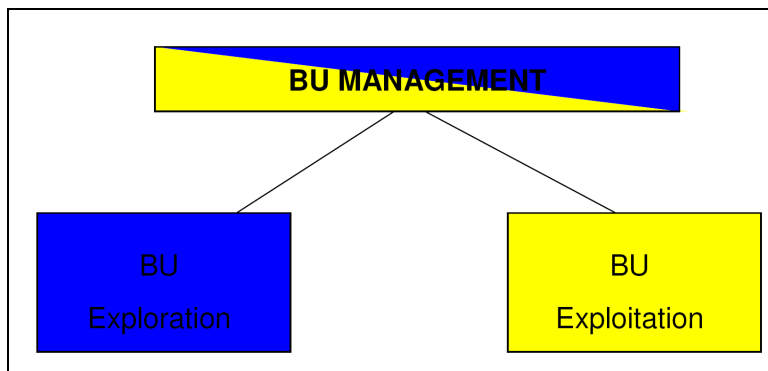
Exploitation focuses on enhancing reliability in experience (e.g. activities like refinement, production, increasing efficiency, etc). The existing knowledge base is deepened. Incremental innovations in existing markets are results of exploitative activities. Firms engage in exploitative activities to obtain more efficiency in existing processes. They do so to secure the ‘profits for today’. Exploitation is also important, for a firm to be able to reap the benefits of the radical innovations it developed.

In order to generate a sustainable competitive advantage, firms need to excel at *both*. In strategic management literature, ‘*ambidexterity*’ is used as a metaphor to describe the ability to perfectly balance¹ the contradictory activities of exploration and exploitation, and managing the strategic paradox related to it. Because both activities require a totally different set of capabilities; different people with a different set of competences are needed. Diversity is needed. Furthermore, both activities have the tendency to reinforce themselves through positive feedback loops. In other words; exploitation and exploration drive each other out.

¹ The optimal balance can lie at a division of 50-50 between both activities, but could also be another division, for example 70-30, depending on the type of firm and its goals.

1.2 Ambidexterity: solved through the organizational structure?

The solution for the optimal balance is mostly sought in the organizational structure. For example a structural separation; where both activities are allocated in disconnected business units. Sometimes companies choose to not separate both activities at all; each employee should then be able to optimal balance both activities. Most companies opt for the former solution, for example R&D departments, which are separated from the production departments. Every solution inhibits a challenge. If a company chooses a structural separation, the paradox of ambidexterity is then moved to the (top-) management of the organization. See the figure below:



1.3 Teams

Companies are becoming less hierarchical and decentralized. Because of this groups and teams, whether temporarily or permanent, are becoming more and more important. Also, their output and performance becomes increasingly important.

Furthermore, (top-) management plays literally a decisive role in optimally balancing exploitation and exploration in their organization.

1.4 Diversity in teams

Diversity in teams is a much debated topic in business. The influence of diversity on team performance and quality of team decisions is large. Diversity also has an important influence on team processes.

Diversity positively influences the results when complex, non-routine problems should be solved, or when difficult, multifaceted decisions should be taken. A higher level of diversity results in a higher variety in skills, cognitive abilities and perspectives, which is beneficial for the quality of output in complex decisions. Furthermore, diversity leads to a greater variety in generated solutions. Diversity is expected to have positive effects on the level of exploration of the team, and possibly also a positive influence on the optimal balance between exploitation and exploration.

This research focuses on both diversity *inside the team, as well as diversity outside the team, and seeks to analyze the relation with the level of ambidexterity of the team.*

Diversity within the team

Diversity within the team can be classified into two categories: *demographic diversity* and *experiential diversity*. Examples of demographic diversity are age, gender, culture, ethnicity, etc. Experiential diversity, or task-related diversity, is related to the skills and abilities a person has, and can be indicated for example by function (e.g. accountant/CFO, engineer, manager, etc), educational orientation, tenure, hierarchical position within the organization, etc. This research is mainly focused on experiential diversity.

Diversity outside the team

What you know is who you know! Research has shown that '*who you know*' strongly influences *what* a person knows, or can come to know. Hence, a person's network plays an important role. Structural characteristics of the network, like range and density, affect knowledge flows within the network.

Most important for access to diverse and novel knowledge is the network range; relationships that span multiple knowledge pools enable the transfer process of new knowledge. If a team member takes part in a network with a high range; he or she is likely to have access to multiple knowledge pools; thus the diversity outside the team is bigger. Furthermore, as the member takes part in a network with a high range; he or she is more likely to be able to convey complex ideas across distinct bodies of knowledge and to consider multiple perspectives.

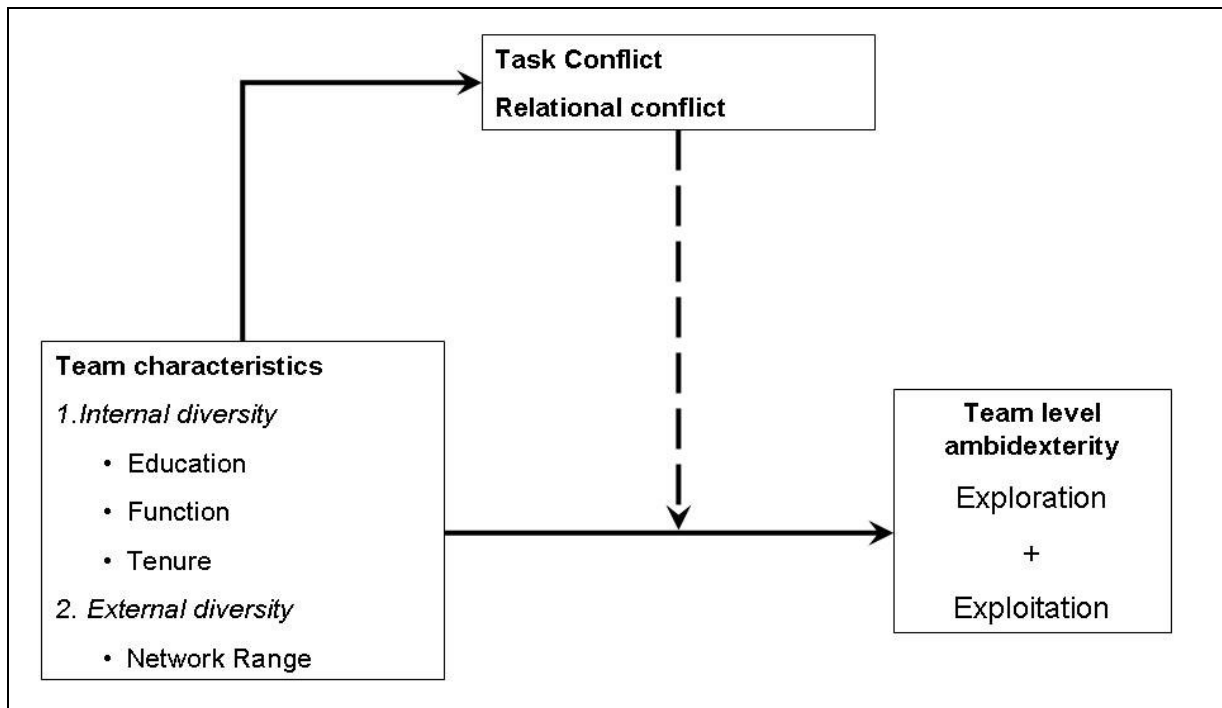
1.5 Teamprocesses

Diversity also has its downsides, because it can negatively influence group processes. The higher the level of diversity, the more potential for disagreement and conflict. To solve these conflicts, group mechanisms are necessary to solve them. These group processes cost extra time and effort. In other words, the higher the level of diversity, the higher the variety in perspectives, the more energy it costs to reach consensus. Business literature identifies two types of conflict: *task-related conflict* and *relational conflict*.

Task conflict (sometimes referred to as cognitive conflict), can be defined as functional, task oriented and focused on judgmental differences about how to best achieve common objectives. For example disagreements on the group's real task, goal, target or what its mission should be. Task conflict is potentially productive; it encourages a thorough assessment of different alternatives and the assumptions behind it and contributes to quality because the synthesis that emerges from the contesting of the diverse perspectives generally leads to better outcomes.

Relational conflict (also referred to as affective conflict or emotional conflict) inhibits conflicts over team members' personal preferences or disagreements about interpersonal interactions, typically about non-work issues such as gossip, social events, or religious preferences and is generally counterproductive. It tends to be emotional and focused on disputes, and seems to emerge in teams when task-related disagreement is perceived as personal criticism.

1.6 Conceptual model



Research model

1.7 The research

This research will focus on the influence of diversity on the level of ambidexterity of the team. Team processes like task conflict and relational conflict will be taken into account as important moderators. After a thorough literature research a theoretical framework is constructed and hypotheses composed. These hypotheses will be tested through a web-based survey. The data-set will consist of answers from (top-) management teams.

1.8 Managerial implications

This study provides insights in optimal team compositions on order to reach an optimal balance between exploration and exploitation. Organizations increasingly rely on teams and achieving optimal team compositions is one of the biggest management challenges of today. Furthermore, diversity nowadays is ‘hot topic’ for companies, due to globalization and changes in views on racism and women rights in western society. Increasing insights en awareness on the topic is beneficial for companies in general.

1.9 What’s in it for you?

If you are interested in participating in this research, please contact Wendy Poppelaars – van de Worp, by mail (w.poppelaars@gmail.com) or by phone (+316-43063778). The web-based survey will take max. 20 minutes. All answers and obtained data will be treated confidentially. The research process is supervised by my coaches at Rotterdam School of Management, Erasmus University. When published, all participants and companies will be kept anonymous. All participant will, if requested for, receive benchmarked results of their teams.