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The Simultaneous Pursuit of Exploitation and Exploration in a Small Owner-Managed Service Firm

Dawn Wade

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Dawn Wade

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The Simultaneous Pursuit of Exploitation and Exploration in a Small Owner-Managed

Service Firm

by

Dawn Charisse Wade

A Dissertation Submitted in Partial Fulfillment of the Requirements for the Degree

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DEDICATION

I could dedicate this degree to several people who have encouraged me along this journey. However, this degree is for that poor little girl that does not realize that there are doctors other than the doctor you see when you are sick. This is dedicated to the poor girl that sees drugs, alcohol, abuse, poverty, and single unwed mothers as the status quo. This is for the little girl that was abused and told that it was her fault when she was just a child. This degree is for the girl that was told that she would be a teenage mother and she would never be a success. This is for the little girl who came from Hammond, Louisiana, lived in motels, had low self-esteem, dealt with the pressures of the world but chose to be different. Never let someone tell you that you are not good enough because you are whoever you work to be.

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ABSTRACT

The Simultaneous Pursuit of Exploitation and Exploration in a Small Owner-Managed

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Dawn Charisse Wade

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Small owner-managed service firms must have the ability to create thoughtful and intriguing ideas to satisfy the needs of their clients. These firms use a diversified operating model which requires each project to be unique, which in turn requires an innovative strategy that is difficult to maintain. These firms need to exploit their current base by being creative and making each solution better than the last while also creating strategies to attract new clients. To satisfy both needs, service firms wanting both incremental and radical change must be able to simultaneously seek out new solutions. This type of dual approach would require the firm to become an ambidextrous organization. To examine the ambidextrous organizational theory, I conducted a single case study within a small owner-managed service firm to understand how it is successful and how it differs from other firms. The goal is to extract value gained by the firm to help small owner-managed firms become more ambidextrous and improve their competitiveness in their industry.

INDEX WORDS: exploration, exploitation, contextual ambidexterity, performance,

SME, tensions, owner-managed, service firm, ambidexterity

I   INTRODUCTION

Leadership in small service firms faces unique challenges when creating unique strategies for their clients. These companies offer services that produce unique assets or collections of media to support the sale of a product or service (Barney, 1991). To create the assets that are unique for the client, the service firm must have tacit and explicit knowledge to deliver results. These firms must be able to consistently refine its assets for existing clients and create new assets to attract new clientele. Small owner-managed service firms face challenges that large service firms are not plagued with such as different business practices, a small number of staff on payroll and a lack of cash. These limited resources affect the ability of the firm to attract larger customers, which inhibits the growth of the firm. Having a lack of cash makes attracting qualified talent with experience very difficult as well (O'Donnell, 2011).

There have been several studies to indicate that small service firms do business differently than large service firms. In small service firms, the owner is often the main decision-maker but also responsible for managing projects, overseeing human resource issues, finding new talent as well as other day-to-day activities of the firm (Culkin and Smith, 2000; Andriopoulos and Lewis, 2009). Having the owner as the project manager usually guarantees a unique management style that is rather informal but is practical and useful for the needs of the firm. Decisions by leadership are made by intuition and tacit knowledge versus explicit knowledge (Carson and Gilmore, 2000). This tacit knowledge is developed over time by learning from successes and failures with previous or existing clients.

Small firms often lack formal process plans and have less structure than larger firms because there are fewer employees. A bottoms-up approach is often used to create solutions because each solution is unique to the needs of the client. This means that the work being done is often reactive rather than proactive (O'Donnell, 2011; O'Dwyer et al., 2009). Previous literature has shown that there is often a lack of dedicated personnel specific to the industry in these types of firms because the size of the firm dictates that those employees have to participate in activities that fall outside of their job descriptions (Carson and Gilmore, 2000).

Having a lack of structure for a limited number of employees is difficult for any company, particularly service-oriented firms. As the firm tries to improve the current client base while also gaining new clientele, the firm must learn to exploit what it currently possesses to retain the same customers. However, exploiting existing business clients can be challenging with limited resources. In these small firms, the business from existing clients is generally tied to the relationship built by leadership, usually the owner-manager. These relationships take time to build and often lead to the firm being awarded repeat business from the client (Fitchew and Blackburn, 1998; O'Dwyer et al., 2009). When there is a good working relationship between the firm and the client, the firm will go above and beyond what is expected to keep the client happy and retain the business on future endeavors. The owner-manager is usually very involved in keeping the client happy and may have a tendency to overpromise in an effort not to lose the business (O'Donnell, 2011). This relationship allows the owner-manager access to information about the client and they are able to make custom solutions to meet and exploit their

needs. The effect of losing a client could prove detrimental to the future success of the firm so the relationship can take priority over other issues within the firm.

Exploiting the current customer base is a challenge for small service firms, but attracting new customers can be even more difficult. In small companies, new customers are often word-of-mouth recommendations from existing customers (Carson et al., 1998). Small firms have a difficult time competing against larger, more established firms because their list of clients is smaller and this often has an impact on the perception of a potential client. Smaller firms may also lack the human capital to acquire new clients so they choose to remain loyal to the existing clients (O'Dwyer et al., 2009).

Since the 1990s, organizational ambidexterity is a term that has been used for companies that work to refine their current products and services while also exploring new opportunities that can potentially create new products and services (March, 1991). There is specific literature about ambidexterity in different industries, including the service industry. Unfortunately, the unique business style of small owner-managed service firms makes achieving ambidexterity a challenge. Contextual ambidexterity involves using the same human capital for refining existing products and services to also search for new opportunities (Birkinshaw and Gibson, 2004). Since small owner-managed firms have limited resources, contextual ambidexterity could possibly be a strategy that will help their performance.

Although there is an abundant amount of literature about organizational ambidexterity, obtaining contextual ambidexterity in small service firms has not been addressed. Small service firms are thought to operate differently than larger firms and there is a lack of studies that synthesize how small owner-managed marketing firms can

improve performance by using their existing operating models and make them more efficient by becoming contextually ambidextrous. Therefore, in this paper we address the following question: how and why do small owner-managed service firms pursue exploitation and exploration simultaneously to increase performance?

This dissertation begins by providing an overview of ambidexterity and defines the key terms related to exploitation and exploration as they relate to the service industry. It also discusses the limitations that small service firms face. We argue that contextual ambidexterity is the best approach for those firms to adopt and how the behaviors associated with the theory would be beneficial to help performance.

II   LITERATURE REVIEW

There is an abundance of studies that have successfully examined ambidexterity in business, including service firms. However, there is no existing research that addresses how and why small owner-managed service firms can pursue exploitation and exploration simultaneously to improve performance. To fill this gap, this research seeks to make the following contributions: 1. Examine and illustrate how behavior changes can help organizations with limited resources become more contextually ambidextrous and; 2. Demonstrate how contextual ambidexterity with a focus on exploitation and exploration can be used as a framework for managing performance in small owner-managed service firms. The following review identifies literature relevant to the concepts used in this study. We first address literature on the nature of small, owner-managed service firms, followed by a review of the literature on ambidexterity.

II.1   Owner-Managed Service Firms

The notion of exploitation and exploration is challenging to incorporate into service firms, but it is even more difficult when introducing the concept into small owner-managed service firms. For this dissertation, we define small firms as those with 20 or fewer full-time employees that work to provide services to other companies. A service firm does not offer the sale of products but provides its skillset of human capital to its clients. The service firm could be one of consulting, marketing, bookkeeping, accounting, law services, etc. Previous research suggests that smaller firms should focus on either purely exploitative or purely explorative activities to become more operationally effective because they avoid the difficulties involved with becoming ambidextrous (Faems et al., 2005). Smaller firms often lack the size and resources necessary to manage the trade-offs involved with exploration and exploitation (Gupta et

al., 2006). Voss and Voss (2013) also suggest that market exploration particularly benefits niche markets that are underrepresented by larger firms. By securing a specific market segment, a small firm can become more competitive.

Small companies, particularly owner-managed firms, often do business differently than large companies. To keep costs down, they have only their essential roles covered by full-time employees and they generally use contractors for specialty requests. The use of freelance contractors, interns, and other specialized workers helps to accomplish tasks as needed (Andriopoulos and Lewis, 2010). On the other hand, large companies can have these functions in-house because there are more projects that need the skillsets. When hiring employees, large companies generally use their human resources department to gather applications, resumes, and perform initial screenings of candidates. After narrowing down the list, managers from the specific departments often form panels to do secondary interviews to evaluate candidates farther. In small companies, the candidate pool is generally comprised of freelancers, interns, word-of-mouth referrals, and those who have done work in the past for the business (Andriopoulos and Lewis, 2010). The owner-manager generally interviews a few candidates, many of whom they already know.

Not only do small businesses operate differently than large companies, they also organize themselves differently. In large companies, employees' physical spaces are often grouped together by their disciplines and collaboration takes place in meeting rooms. Conversely, in many small companies, most employees are grouped together, including management. Although the setup may be due to space limitations it also allows

ideas to flow easier without having to move to a more formal location to share and collaborate (Andriopoulos and Lewis, 2010).

II.2 Ambidexterity

The Merriam-Webster dictionary defines being ambidextrous as being able to use both hands equally well. In business terms, being ambidextrous is being able to simultaneously exploit existing business processes while exploring new business opportunities (March, 1991). The term ambidexterity has become ubiquitous in the academic world so we attempt to provide some clarity for discussions moving forward in regards to exploitation and exploration. There is an abundance of literature available that studies March's ambidextrous theory about exploitation and exploration in organizations. In marketing firms, one of the biggest challenges is creating consistent and competitive marketing strategies. The opposing characteristics of staying consistent while searching for new opportunities are critical for knowledge assets because in the marketing industry there is often a need to create customized solutions for each client (Swart & Kinnie, 2007). If a firm is attempting to change its orientation to become ambidextrous, it has to be aware of the complementing and conflicting aspects that ambidexterity introduces (Prange & Schlegelmilch, 2009). Previous research has focused on how managers can exploit one of the two strategies but there is a lack of information as to how the exploitative and explorative strategies can complement one another and successfully impact performance.

We adopt March's definition for exploitation as, "the refinement and extension of existing competences, technologies, and paradigms. Its returns are positive, proximate, and predictable." When March published his article that coined exploitation in

ambidexterity, he used terms like "refinement, choice, production, efficiency, selection, implementation, execution" (March, 1991). Today companies are trying to improve their current strategies to be in line with the changing needs of the business. However well they may be doing this, it has been argued by many that exclusively exploiting current business is not enough in a world where conditions are constantly evolving. If a business primarily focuses on improving competences, there will be less time given to exploring new opportunities. This is because all of the resources are directed towards refinement, leaving little or no resources left for exploration (March, 1991). With exploitation, the firm is trying to retain the current customer base and get the client to purchase more services (Voss & Voss, 2013). To improve performance in the short term, the activities surrounding exploitation aim to make improvements on existing processes by building on the existing trajectory (Benner & Tushman, 2003). March says that "the certainty, speed, proximity, and clarity of feedback ties exploitation to its consequences more quickly and more precisely than is the case with exploration." One can surmise that the clarity associated with exploitation is related to the structure of those work processes. With exploitation, you expect to have tightly coupled systems that are interdependent. In a service context this could mean that the assets provided to a client are tied to a campaign of work. The focus is on meeting the specific needs of the client and often has constraints associated with it. Therefore, any changes will be incremental and require coordination with stakeholders. This tight coupling leads to more stable performance (He and Wong, 2004).

March defines exploration as, "experimentation with new alternatives. Its returns are uncertain, distant, and often negative." The terms associated with exploration are

"search, variation, risk taking, experimentation, play, flexibility, discovery, innovation" (March, 1991). In a business context, the goal of exploration is to develop new competences for the firm. In marketing exploration, a firm is trying to attract new clients by offering an asset that has not been offered to an underdeveloped market niche or previously non-targeted market segment (Voss & Voss, 2013). The resources within the service firm must create new value in the firm through different service offerings and/or customer segments. The activities are geared towards long term success and often face failure as learning takes place with the process. This means that the process of creating new ideas, discovering new markets or developing new relationships have a high degree of uncertainty, take longer to succeed but are necessary for exploration (March, 1991). The uncertainty involved in exploration requires a loosely coupled system for getting work done. In a loosely coupled system, there is less interdependency and less coordination because there is more chaos with what is unknown. Any changes made in the business will lead to different performance changes but are also susceptible to failure (He and Wong, 2004). This notion suggests that the firm has more freedom and more possibilities on the exploration trajectory.

Before a service firm can attempt to become ambidextrous, it must be aware of its knowledge portfolio. The knowledge and ideas captured by the firm is what leads to the strategy and creative efforts necessary to acquire business in the targeted industry. Since the needs of each client will be different, the knowledge portfolio must also be diverse (Alvesson, 1994). In the context of exploitation, the existing knowledge assets need to be refined and broadened to become more competitive (Crossan et al., 1999). The continuous refinement of knowledge allows for learning to take place in the short-term as

well as longer time frames (Swart & Kinnie, 2007). In the context of exploration, the ability to reach an untapped market has lots of potential but also comes with higher risk. Crossan argues that organizational learning through exploitation and exploration requires that the firm learn new ways of doing business while exploiting the existing business.

Ambidexterity occurs when a firm is able to pursue both exploitation and exploration simultaneously while overcoming the tensions that using both strategies introduces. March (1991) believed that pursuing both exploitation and exploration at the same time would create tensions within a business because each strategy requires a different type of knowledge and processes to succeed. As the complexity of the strategies increases, so do the tensions. Smith and Tushman (2005) argue that,

> *"exploration is rooted in variance-increasing activities, learning by doing, and trial and error; exploitation is rooted in variance-decreasing activities and disciplined problem solving. Where exploitation builds on an organization's past, exploration creates futures that may be quite different than the organization's past. Moreover, products born of exploration are often in direct competition with existing products."*

These tensions can happen at different levels within an organization which requires different types of intervention. Put differently, ambidexterity is about balancing the outward pull of new ideas and innovation with the inward pull of integration and refinement (Sheremata, 2000).

Unfortunately, the leading proponents of contextual ambidexterity (Birkinshaw and Gibson, 2004) fail to address how the opposing demands of exploitation and exploration are truly balanced within a firm, even large firms. Birkinshaw and Gibson acknowledge that greater attention is paid to the human side of the organization because the employee is able to divide their time between exploitation and exploration activities, but they do not explain realistically how this happens. They make the assumption that

each employee is skilled and motivated to multitask between strategies and minimize intrapersonal issues. They fail to address how a mindset of exploitation and exploration is cultivated into employees so they can address everyday demands. Birkinshaw and Gibson also fail to address the interpersonal tensions that employees may face when they have to communicate to a greater degree to pursue both exploitation and exploration. The literature shows that many of the companies that achieve ambidexterity accomplish it by acknowledging that there are tensions created when attempting to exploit and explore. One of the keys to success is not necessarily resolving those tensions but tapping into the energy that those tensions create (Andriopoulos and Lewis, 2010).

Tensions that are introduced by simultaneously exploiting and exploring will vary by each company but there is literature that discusses some common tensions (Andriopoulos and Lewis, 2010). One of the most common tensions emerges when employees are required to choose between completing exploitation and exploration tasks on a daily basis, especially when they have a preference for one approach. These tensions are mitigated by leadership's reinforcing the goals of the organization to be both exploitative and explorative. To keep employees from getting mixed messages, both strategies need to be addressed in meetings as well as written correspondence. There also may be tensions when existing projects provide an opportunity to explore new options and techniques that may challenge past decisions or strategies. When some team members are reluctant to change their favorite past techniques, it is important to not go too far in either direction initially. It is best to allow creativity to flow but have some restraint and set realistic expectations for everyone. Another common tension may occur when there is an excessive amount of either diversity or cohesiveness among team

members. Too much diversity may discourage working together as one unit. Too much cohesiveness may stifle individual creativity and prevent innovation or progress beyond existing projects. These tensions will affect exploitation and exploration activities if not managed properly. Instead of shunning either practice which would cause more tensions, Andriopoulos and Lewis (2010) suggest that leadership communicates the importance of both diversity and cohesiveness on a regular basis to use the energy from the tensions in a positive way.

II.3   Tensions

The art of balancing the tensions introduced with exploitation and exploration can be magnified when working to become ambidextrous or maintain ambidexterity, particularly in small firms where resources are limited. Some of these tensions include employee capabilities, changes in work projects, leadership characteristics, and general ambiguity related to ambidexterity.

In small firms, it is often difficult to find talent at an affordable rate that is capable of being successful in a small setting. As Andriopolos and Lewis states, the candidate pool is often smaller for owner-managed firms with most hires resulting from word-of-mouth referrals. Unfortunately, when ambidexterity is introduced into an organizational setting, everyone may not be capable of exploiting and exploring to improve performance. Firms dedicated to the process may have to perform layoffs to achieve better practices (Napier, 2007). Often firms may need management to give guidance to its employees on how to exploit and explore. This type of training helps individuals to be better equipped to explore new opportunities and exploit current resources (Patel, Messersmith, and Lepak, 2013). Training and knowledge sharing requires communication and increased interaction amongst employees. In some instances,

organizations offer career incentives such as raises and promotions to individuals who are able to diversify themselves enough to both explore and exploit (Prance and Schlegelmilch, 2009).

In small, owner-managed service firms, there are often key clients that the firm must keep happy to retain their business over subsequent years. O'Donnell (2011) says that the owner usually has a good working relationship with the client because the success of the firm depends on those relationships. When those key clients make requests, those changes are given high priority. For a firm with limited resources, a big project can quickly alter the working environment to keep the client happy. For a firm interested in ambidexterity, this becomes challenging and causes tensions when the current work demands only one approach, either exploitation or exploration.

The role of leadership in an organization aiming to be ambidextrous can also lead to tensions. Managers have the responsibility of leading their employees but their favored orientation towards either exploitation or exploration can influence the team to favor that orientation as well. This can be further affected by organizational issues, pressures and competitive opportunities (Tushman and O'Reilly, 1996) where management is compelled to favor one orientation to meet performance initiatives and stay ahead of the competition.Lubatkin, Simsek, Ling, and Veiga (2006) believe that top management has an essential role in an organization becoming ambidextrous and they also believe that ambidexterity positively affects performance. While some believe a formal approach is necessary (O'Reilly and Tushman, 2004; Lubatkin, Simek, Ling, and Veiga, 2006), others will agree that an informal process works well to change the culture in which employees work (Jansen, Tempelaar, Van den Bosch, and Volberda, 2009).

Zimmerman, Raisch, and Birkinshaw (2015) believe that ambidexterity occurs by initiation and implementation. Initiation is the process of committing to pursue simultaneous exploitation and exploration activities. Initiation requires strategy which involves costs and risks (Gupta, 2006, O'Reilly and Tushman, 2013). It is a shared understanding between management and their employees, formal or informal, that the business organization should pursue exploitation and exploration activities instead of one approach over the other. The implementation process involves the actions needed to instill and maintain both exploitation and exploration.

Zimmerman et al. (2015) discovered that the management tensions introduced by simultaneously pursuing exploitation and exploration are addressed more efficiently by frontline managers and employees because they are more familiar with the market and technical requirements whereas senior executives are more detached from the day-to-day needs. This behavior by frontline managers and employees is seen as emergent particularly because people who may have different backgrounds come together to create consensus and a general course of action.

II.4   Approaches to Ambidexterity

The literature on ambidexterity identifies three approaches to becoming ambidextrous: structural, punctuated, and contextual. These approaches are summarized in Table 1 and discussed in detail below. Since contextual ambidexterity is the focus of this study, the subsection on contextual ambidexterity offers additional detail regarding current theory.

Table 1: Different Forms of Ambidexterity

Various Forms of Ambidexterity	Definition
Structural Ambidexterity	Utilizing separate subunits to focus on alignment-focused and adaptability-focused activities
Punctuated Ambidexterity	Focus is set to one type of strategy completely then focus is switched to the other strategy at another point in time
Contextual Ambidexterity	Fostering an environment where employees make decisions to work on alignment-focused or adaptability-focused activities during their day

II.5   Structural Ambidexterity

As noted earlier, small service firms have limited options that are feasible when considering ambidexterity. These firms lack the resources and capabilities needed for structural ambidexterity, which requires separate, differentiated subunits (Gupta et al., 2006). The physical separation of units means not only that an organization is structurally differentiated, but also that the processes that mobilize, coordinate, and integrate resources in each subunit are separated (O'Reilly & Tushman, 2008; Benner and Tushman, 2003). Separation is difficult in small firms because of size limitations which often require resources to serve multiple purposes. Small firms may lack the resources and capabilities needed to manage these separate subunits. With owner-managed service firms, the owner develops a style based on what works for the business. This style is likely to remain as the status quo until something significant happens to cause disruption, such as a different type of client or service that needs to be supported (Carson and Cromie, 1989). Having such a rigid service style makes it difficult, if not impossible for employees to work in any context that promotes ambidexterity.

II.6   Punctuated Ambidexterity

Organizations that choose to exploit and explore may choose to do both, just not at the same time. In this punctuated ambidexterity scenario, focus is first given to one type of strategy completely, and then switched to the other strategy at a later point in time (Brown & Eisenhardt, 1997). The temporal strategy requires that employees play different roles at different times. The amount of time required between each strategy does not have to be equal (Prange & Schlegelmilch, 2009). There may be long cycles of exploitation which are followed by shorter cycles of exploration. Such alteration between exploitation and exploration has been considered a practical solution for using both strategies to improve a firm's performance (Gupta et al., 2006). Although March argues that an appropriate balance is needed between the two strategies, he does not state that both have to be done simultaneously. Achieving punctuated ambidexterity in service firms is difficult because of time limitations. It is the responsibility of the firm to create assets but they are usually under pressure to do this in a short amount of time. In order to remain competitive, the firm needs to be agile enough to respond to 'last-minute' demands of their clients (Swart & Kinnie, 2007). This agility is often what governs the social relationship between the client and the business, which is usually an indicator of performance.   The short turn-around time to produce makes punctuated ambidexterity nearly impossible.

II.7   Contextual Ambidexterity

Birkinshaw and Gibson (2004) introduced contextual ambidexterity, which, "calls for individual employees to make choices between alignment-oriented and adaptation-oriented activities in the context of their day-to-day work." With this strategy, the roles are relatively flexible and those doing the work decide on what should be accomplished

while management develops the organizational context by creating systems, incentives, and controls. In order to obtain contextual ambidexterity, the opposing capabilities of alignment and adaptation must be pursued simultaneously, unlike punctuated ambidexterity where the organization must switch between strategies (Prange & Schlegelmilch, 2009).

Previous literature describes the emergence of contextual ambidexterity as a process that occurs when employees are motivated to meet ambitious goals within the organization. Those employees alternate between alignment and adaptability functions and decide on the best way to divide their time (Gibson & Birkinshaw, 2004; O'Reilly and Tushman, 2013). These behaviors must be supported by two mutually reinforcing characteristics, performance management and social support and must be balanced in order to achieve optimal organization context (Birkinshaw & Gibson, 2004) as seen in Figure 1. Four attributes conceptualized by Ghoshal and Bartlett – discipline, stretch, support and trust -- have garnered attention in relation to contextual ambidexterity (Ghoshal & Bartlett, 1994).

Birkinshaw & Gibson (2004) describe performance management as being "concerned with stimulating people to deliver high-quality results and making them accountable for their actions." The attributes of discipline and stretch are relevant to performance management. Discipline occurs when employees meet objectives and complete projects on time with appropriately distributed resources (Napier et al, 2011; Gibson and Birkinshaw, 2004). For example, Deloitte Consulting is a services company that worked to become contextually ambidextrous. It defined discipline as being transparent about goals for the employees and the company which included turning a

shared vision into results (Prange & Schlegelmilch, 2009). This discipline was used in the recruiting and hiring process to ensure that employees possessed these capabilities initially without being forced to change their orientations. Stretch, the second attribute related to performance management, is used to inspire employees so they will organize themselves and create ambitious goals. It is important to recruit employees who can be consistently challenged and stretched to create change (Prange & Schlegelmilch, 2009). The discipline and stretch behaviors must have balance in order for employees to flourish under the internal pressures that are applied.

The social support characteristic of contextual ambidexterity has a combination of two behaviors, support and trust. Support involves employees being able to rely on one another for assistance in order to succeed. The notion of support is not solely limited to the assistance that management gives employees but it could take on various forms including technical support, managerial support and security (Birkinshaw & Gibson, 2004). Support involves providing assistance to any employee at any level. There is an expectation that any employee will offer help to others that ask for it. This support helps to foster a cooperative environment that encourages employees to focus on their strengths and provide value by the freedom they have to initiate and be innovative (Gibson & Birkinshaw, 2004). The second behavior of social support, trust, is seen as a two-way street between all employees of the firm. Trust embodies the essence of openness and fairness so that all involved parties are included in the decisions and contribute.
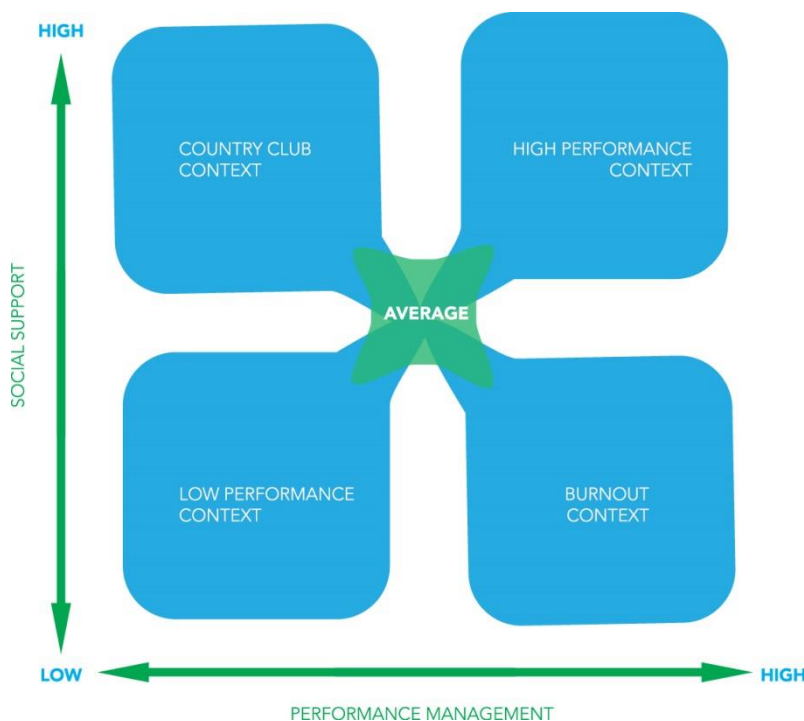
Figure 1: Contextual Ambidexterity Performance Indicators

Birkinshaw and Gibson recommend that a company measure how they perform in an organizational context before attempting to move towards ambidexterity so they know what areas need improvement. To do this, they ask questions that are centered on performance management and social support. Afterwards those average scores are plotted on a graph similar to Figure 1 to show the diagnosis. Companies that suffer from a low performance context often have issues with communication from management about the mission and vision of the company. The inconsistent direction prevents employees from having a clear understanding so they can accomplish objectives and there is often a lack of accountability. These issues foster a lack of trust which is detrimental to the organization overall. In the burnout context, so much emphasis is placed on performing that the support and trust attributes of social support are neglected. This often leads to employees being too exhausted to do anything than what is required of them. In the country club context, there are high levels of support and trust but

performance suffers. When this happens, a company becomes less competitive because no one works hard and there is no accountability by management. In a high-performance context, a company can balance the performance management and social support behaviors for contextual ambidexterity which often makes them more competitive in their industry (Birkinshaw and Gibson, 2004).

II.8   Summary

The different types of ambidexterity (structural, punctuated, and contextual) have all been demonstrated as successful in different industries that are larger in size. However, there are specific issues when attempting to apply these strategies to smaller firms, in particular owner-managed service firms that do not always conform to industry standards. For this dissertation, we adopt March's ambidexterity theory about simultaneous exploitation and exploration, as well as Birkinshaw and Gibson's theory about contextual ambidexterity that requires performance management and social support, to explore how small service firms can increase their performance. Although there are multiple frameworks related to the ambidexterity theory, we believe Birkinshaw and Gibson's concept of contextual ambidexterity is the most relevant to helping small service firms increase their performance.

While Birkinshaw and Gibson's concepts are a valuable and theoretical launch point, this study aims to elaborate their framework by supplying detailed and nuanced accounts of the ways in which contextual ambidexterity can be achieved in a small business context. The study thus seeks to contribute to theory development as well as practice (Van de Ven, 2007).

III RESEARCH METHOD

While the literature review provides little support for the expectation that small service firms would be ambidextrous, it has mostly not addressed whether and how small firms exhibit ambidexterity, or if ambidexterity is related to their performance. We therefore adopted a strategy of studying a small service firm that was successful to understand how ambidexterity might contribute to performance. Our study is exploratory due to the neglect of attention to our research question in previous literature. This study is a qualitative single case study of a small owner-managed marketing firm. This approach is an appropriate means for addressing the how-nature of the research question because the study is exploratory rather than confirmatory. This context provides a basis for focusing on researching how a small firm does business and what allows them to be successful. Therefore, this study examines the questions: How can small owner-managed service firms become contextually ambidextrous to improve performance?

For this study, a critical realist approach has been espoused in an effort to delve deeper into what happens when small owner-managed firms focus on exploitation and exploration simultaneously. The critical realist approach is appropriate because it goes beyond merely making observations about phenomena; it is an approach that seeks to understand why things are a particular way. Secondly, a critical realist approach acknowledges that there will be different types of evidence available to support explanation of why something is occurring. This includes written material, social interactions of subjects, as well as the non-verbal and unconscious acts that occur during those interactions

In an attempt to address the "how" question associated with the research question, the research has been designed as a process analysis. Following Van de Ven's direction,

the purpose of studying processes is to understand the progression and order of events that may take place within the firm that allows it to perform ambidextrously (Van de Ven, 2007). It is an attempt to understand how the firm has developed and changed over time. By understanding the events that have transpired, the process is able to move from observed and recorded events to outcomes (Van de Ven, 2007).

In addition to adopting a critical realist approach for exploring ambidexterity in small service firms, this study also aligns with the idea of engaged scholarship. As an engaged scholarship study, this paper is an attempt to bridge the gap between science and practice that is often found in scholarly papers. According to Van de Ven, engaged scholarship has the potential to create knowledge that is more penetrating than having a scholar or practitioner pursue the phenomenon alone (Van de Ven, 2007).

III.1 Case Study Research Design

The expected contribution of the paper is to help small owner-managed businesses adopt processes that can help them improve their performance, which justifies using a single case study to examine the issue more thoroughly. Using case study research is only one of many approaches that could be used to study the phenomenon of ambidexterity in small service firms. However, it is preferred in a setting where the main research question is a "how" question, the researcher has no control over the events that have transpired, and the study is a contemporary phenomenon (Yin, 2014). The value of a case study is that it allows operational events to be traced that are not easily done with other methods. Studying a contemporary problem allows a case study to be relevant compared to historical problems where the researcher is not able to make observations and conduct interviews of those involved in the events (Yin, 2014). In this case study, the researcher is interviewing stakeholders within the firm about their experiences during

their time with the company. This includes past events and the current activities that the firm is involved with during the research period of 2016 and 2017. By understanding the antecedents of ambidexterity, the researcher can investigate the case in depth during this time frame.

Although case studies have many advantages, particularly in engaged scholarship, there are some disadvantages as well. Case studies are often criticized for lacking rigor when compared to studies using large samples or experimental controls because statistics are not used and independent variables cannot be manipulated (Meredith, 1998). Additionally, there is a concern about the ability to generalize from a single case study to produce external validity. The goal of this study is to understand the antecedents of ambidexterity in a single small firm and contribute a theoretical account that could be examined in future studies.

Many researchers believe that multiple case studies are better than single case studies. However, Myers says that sampling logic is not useful when conducting case study research. Rather, sampling logic is used for statistical theory. Because the number of cases in multiple case studies remains too small to support statistical analysis, using multiple cases is not necessarily better than using one case (Myers, 2013). By studying the single owner-managed service firm, we are positioned to generalize the case to theory. Additionally, by focusing on one case study instead of multiples, the case has more depth than multiple cases would have been able to achieve.

To ensure rich qualitative data and provide a rigorous study, we collected data from multiple employees within the firm that work on projects, including management, account executives, designers, and developers. Over the course of the study, there were

multiple face-to-face semi-structured interviews with stakeholders of the firm, particularly the owner. We were able to use past projects to analyze the changes in performance over time and to indicate which projects were most successful and which attributes contributed to their success. In addition to interviews and reviewing documents, site visits were conducted to make additional observations of the participants and to document how the employees interact with one another.

III.2 Research Site

The subject of this research is a small owner-managed marketing service firm in Kentucky called CRW (a pseudonym). The research site was chosen because it is small, owner-managed and has been with the same owner since its establishment. It is similar to many small owner-managed firms that are competing in an industry that is dominated by large marketing service firms. Additionally, the firm has received many awards, locally, regionally and nationally for the work that it does. It has local clients but the majority of its clients are national and global. The list of clients encompasses many industries and includes multiple Fortune 100 companies.

The owner of the CRW has managed the company while performing many tasks over the years. In addition to managing employees, the owner has been responsible for human resources, payroll, project management, design, etc. As the company has grown, he has been able to bring in additional employees to manage the day-to-day activities but still plays an active role in the daily business that transpires.

The current hierarchy of the firm is a "flat layout" according to the owner. Instead of having one group over other groups of employees, the owner has chosen to put everyone in a flat architecture that sits below the owner. The purpose of this is to empower everyone to take a leadership role. The work is separated in "buckets" with

there being links between the business development and current business tasks. The

employees in those two areas are responsible for work on existing work and looking for

opportunities in the business development area as well. The owner also has a role in the

business development area.
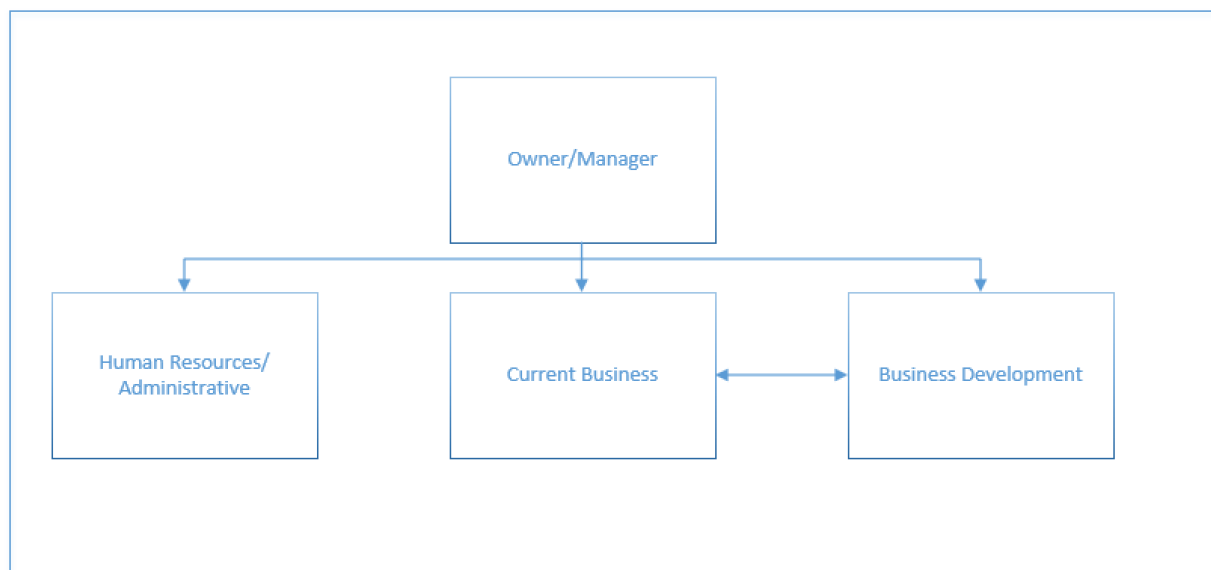
Figure 2: CRW Firm Structure

III.3 Unit of Analysis

The unit of analysis for this study was the firm. This level of analysis is

appropriate because ambidexterity is achievable at the organizational level instead of the

individual level. The small nature of the firm prevents studying ambidexterity of certain

organizations within the firm because of the need for collaboration and cross-

functionality of positions. Ambidexterity is achieved by the combined efforts of the

individuals working in the organization but it is not necessarily the sum of each

individual's effort. In some instances, the individual within the organization may not be

working at exploiting and exploring efforts in a balanced way but the firm is still able to

achieve ambidexterity. Conversely, some individuals may be working at exploiting and exploring and yet the firm is still not performing ambidextrously.

III.4 Data Collection

Once granted access to CRW, data was collected using various techniques, such as interviews, reviewing project work, brainstorming sessions, as well as observations of employee meetings. The primary data collection technique used was semi-structured interviews conducted using the interview protocol, shown in Appendix A. The interviews were audio recorded and notes were taken to record additional observations. The semi-structured nature of the questions allowed the participants an opportunity to expand on topics that they thought would be useful to the study and provide insight into the way the firm conducts business as well as new areas not yet discovered. Once the interviews were finished, they were transcribed by a third party. Once transcribed, they were loaded into data analysis software, NVIVO, for further analysis. NVIVO was used to organize data, store the results of the coding process, and maintain a chain of evidence to increase the reliability of the information.

The data collection process took place between November 2016 and February 2017. Some of the interview questions required the participants to recall previous periods of their employment at the firm in addition to current business. The retrospective approach was useful in determining whether there have been any shifts toward ambidexterity over time. Interview data was used to understand the previous structure of the firm and to understand policy changes that have occurred. There were ten initial interviews conducted at the firm with the average time of most interviews being about 45 minutes. In addition to the initial interviews, there were five follow-up interviews to

clarify statements and ask additional questions. The follow-up interviews all lasted less

than 20 minutes each.

Table 2 Interview Breakdown by Department

Department	Number of Employees Interviewed	Primary Responsibilities
Owner/Manager	1	• Managing all departments • Leader of new business • Procuring new business opportunities
HR/Administrative	2	• Payroll • Human Resources • Office management
Current Business (Includes VP)	3	• Production work for existing clients • Company maintenance of websites • Client relations
New Business	4	• Research and Development • Managing new accounts

During on-site observations of the firm, the environment was very informal and

laid back. The employees were dressed very casually, most in jeans and sneakers. The

owner on multiple occasions wore a baseball hat and sneakers. For meetings that

required more business attire, the owner wore a suit with sneakers. The employees of the

firm varied in age, ethnicity, and background. Most were college educated although

some had not graduated from college. Some employees were direct hires out of college

and some employees had previous experience working in an agency setting.

III.5 Data Analysis

A thematic analysis process was used to analyze the data for this study. Thematic

analysis is useful for qualitative data analysis because it is a method for "identifying,

analyzing, and reporting patterns (themes) within data" (Braun and Clarke, 2006). This

approach helps to organize and describe the data in great detail for better understanding

by the researcher. This analysis does not prescribe a specific theoretical framework; it

ideally looks to capture themes within the data that can be used to interpret and explain

the phenomena. The analysis was conducted using Braun and Clarke's (2006) six phases

of analyses as an outline and an iterative process for examining the data, as seen Table 3

below. The iterative nature of the process will allow for several repetitions through the

same data at different times during the study to see what emerges as more data is

gathered.

Table 3: Six Phases of Analyses (Braun & Clarke, 2006)

Phase	Description of Activities
1. Become familiar with the data	Becoming immersed in the data by repeatedly reading it to search for meanings and patterns. Take notes that can be used for the coding process. Get audio recordings transcribed.
2. Generate initial codes	Creating initial codes that emerge from the data review. This does not include the original themes that developed in the literature review.
3. Search for themes	Sorting the codes into potential themes. There may be a hierarchy of themes that emerge so relationships may form.
4. Review themes	Coherently refine and rework themes and relate them to the overall data set.
5. Define and name themes	Give a detailed analysis about what the theme means and identify any sub-themes.
6. Produce a report	Giving a detailed account of what the data illustrates within the study.

Data analysis provides an opportunity to create themes to organize data into a

coherent manner for telling the narrative of the study. The data analysis process started

after the first set of observations and interviews were conducted. This also included the

examination of process flows and company manuals. Analyzing the data was an iterative

process that started with using theory as an initial guide for analysis and coding. As

analysis progressed, questions and issues continued to arise that required further investigation by the researcher. As this happened, the interview questions and codes were modified so the researcher could obtain more data to further explain the phenomena. This also resulted in some individuals being interviewed more than once.

For this study, codes were created in two ways, deductively and inductively. The deductive approach used the research question and literature review to help form a starting point for the construction of the interview protocol and plan for data collection. These codes are listed below with descriptions in Table 4. The second set of codes used an inductive approach which allowed themes to emerge from the data after it was collected and analyzed. the complete set of codes is shown in Appendix A.

Table 3: Preliminary Codes and Descriptions

Code	Description
Ambidexterity	Simultaneously pursuing exploration and exploitative activities
Structural Ambidexterity	Separate entities for exploitation and exploration
Contextual Ambidexterity	Making the choice to pursue exploration or exploitative activities
Punctuated Ambidexterity	Spending time on exploitation then switching to exploration activities
Exploitation	Refinement and/or extension of existing work
Exploration	Experimenting with new alternatives for work
Tension	Stress or strain resulting from the competing characteristics of exploitation and exploration
Performance Management	Stimulating employees to deliver results and enforcing accountability
Social Support	Support of all employees that leads to better results
Stretch	Inspiration of employees so they will work harder and challenge themselves to produce better results
Discipline	Exercising control over one's activities to meet objectives in a timely manner
Support	Employees relying on one another to succeed and perform in an effort to deliver results
Trust	Openness and fairness of all employees
Company Dynamics	The way in which the firm operates to conduct business

Prior Experience	Experience that was gained prior to coming to the current firm

IV   FINDINGS

The purpose of conducting semi-structured interviews of employees within the firm was to understand how the firm performs, whether ambidexterity exists, and if so, how is it possible for it to exist in a small, service-oriented firm with limited resources. The findings are divided into five main sections that describe the themes resulting from the data analysis process. The sections are 1. owner-managed business characteristics, 2. small firm dynamics, 3. tensions, 4. small firm challenges, and 5. ambidexterity. These sections are discussed because they are all connected to the emergence of ambidexterity in the small firm. Within the ambidexterity section, a detailed examination of social support and performance management is also presented.

IV.1 Owner-Managed Business Characteristics

As mentioned in the literature review, small owner-managed service firms face unique challenges when compared to other firms, such as a lack of resources, a lack of processes, and different configurations of space and personnel. With owner-managed firms, the owner is often the only person financially responsible for the health of the firm and is also required to take on other roles within the firm to keep it running. Those roles include human resources, payroll, design, maintenance, and others.

There are advantages and disadvantages to being the owner and the manager of a firm. The owner described the advantages that are not tangible but are his motivation for continuing with the firm, even during hard times:

> *"As the owner and manager, I am creating my own destiny. There is no ceiling that I am going to hit. I get to decide when I want to work and when I want to spend time with my family. In business, I can be more creative because I am able to stretch my imagination to places that others thought was impossible and make money off of it. As long as you have a plan and a vehicle to get you where you want to be, there are not many limits."*

Within the market, being the owner of a small firm has some advantages that large firms

cannot use to their benefit.

> *"I am able to make decisions without a lot of channels and I'm also able to fly under the radar from my competitors. It's like an iceberg that is growing under water, no one knows you are there. By the time you pop up, you're big enough to make a difference and you've earned a great amount of respect. Being underestimated reduces many of the challenges that larger firms face."*

Internally to the firm, there are advantages to managing employees as well.

> *"As the owner and the manager I have more flexibility when hiring employees and building our team. I don't have pay bands so I can accommodate salary requests easier than a large firm. I can be sure that I can get the best bang for my buck. By working closely with the team, I know the type of person I need versus a large firm that just gives HR a checklist of what the person needs to be qualified."*

The success of the firm is directly tied to the talent that the firm is able to acquire.

Over the years, there have been challenges with hiring as a small firm because applicants

are more drawn to larger companies. Often the owner hired employees that had been

freelancers or interns because they knew those people. Some hires are referrals from

other clients and colleagues. The owner described the type of applicants that tend to

gravitate towards smaller firms:

> *"Finding qualified employees depends on the age of the applicant. It's easier to get employees when they are younger because they are trying to find their way and don't have the experience of being in larger settings. Middle aged employees don't want to move unless there's a bigger financial opportunity. Older aged employees want to get out of pay bands and want more personal relationships, more of a work-life balance, want more of a challenge and to work on meaningful projects."*

Unfortunately, being the owner and the manager also has some disadvantages.

This includes working longer hours than everyone else, traveling extensively, being

emotionally tied to the firm, and carrying the responsibility of the livelihood of all

employees. Being financially tied to the company makes it impossible to walk away

when there is not enough work. There are investments, lines of credit, service contracts, and many other financial obligations that prevent the owner from leaving the firm and going to work for another firm. The owner described the stress of being at the top of the firm:

> *"When things are not going well, there's an increased amount of stress because the ripple effect goes through the entire agency. In a larger company, it rarely ripples through everyone. I don't want to layoff someone who has a family at home because things are getting tight for the firm. I have an obligation to my employees, they are like my family. I try to shelter them from any issues so I carry the burden of those issues so they don't have to worry."*

Beyond the financial obligations that the owner-manager faces in the firm, there are additional challenges that larger firms are not plagued with.

> *"In a small firm, the lack of processes to help you get to scale is tough. Processes are not as tight which can allow problems to emerge. Sometimes you are too connected to everything and your capacity to solve problems is less because you are stretched thin."*

IV.2 Small Company Dynamics

It is evident from the literature and the interviews that small companies often find themselves at a disadvantage when being compared to larger companies. For various reasons, such as limited resources, smaller capital budgets, size limitations, and smaller clientele, small companies have struggled to survive and obtain enough work to remain profitable. The CRW firm has learned to adapt to internal and external pressures in order to survive. The company has had to overcome many trials and errors to arrive at a comfortable place of operating for its employees and clients. The unique composition of the firm requires that employees, including the president, share responsibilities not often present or shared in most companies.

IV.2.1 Agility

New clients and new opportunities over the years have required that CRW remain agile in order to remain profitable. When competing for large projects, there are often meetings at the client site where the client wants CRW to bring its team so they can meet and potentially interview who they will be working with. On many occasions, CRW has felt that this has been more of a show of power instead of capability. Occasions like this have felt intimidating for some members of the team but the firm has adjusted over the years because they have come to expect it on larger projects. On more recent occasions, CRW has walked away from meetings with signed contracts because they were able to show their credibility, not through their size, but through the knowledge and expertise brought to the table. The VP described the feelings of being agile:

> *"I'd put us up against anybody, anywhere and there's been several times in the past two years where we've been in the room with people who, maybe on paper or theoretically, have the credibility and experience. But it's our ideas, and our energy, and our approach, and our attitude that's changing the storyline, not theirs. There was a team meeting we were in with another agency at one-point last year. They brought 15 people to this meeting and we had 2. They were like, "Now, who's going to be doing this?" And we're like, "Well, I'll be doing that too. Oh, yeah, we'll be doing"-- and they looked at us like we-- "How do you manage that?" We're like, "That's the only way we know how to do it." For so long it was just two of us, then it was three of us that, it's almost natural, I think in some ways. Which, again is a positive. ...It's just one of those things that it shouldn't work on paper but it's working. "*

There are advantages that small firms have as it relates to agility and being able to make changes. When new information needs to be disseminated, it's easier to do that amongst 15 employees compared to 1,500. When a new software needs to be installed and implemented, it's much easier to digest for a small firm than a large firm that often has lots of red tape and processes. As clients have different needs, the smaller firm is able to quickly respond to those needs in a timely manner. The company is able to be

strategic in its changes and not merely keep up with the competition. An account

executive describes the growth of the company:

> *"Clearly our client base has grown, not only in number, but I would say in the types of clients and the type of revenue that we can make. I think that's been a focus. I think that's been a part of the company's strategy. I think it's also been organic."*

Employees of CRW are always encouraged to bring new ideas up for discussion.

Instead of waiting for management to deploy strategies and tactics, everyone has been

allowed to introduce new opportunities. It is not expected that all change at CRW will be

the result of a top-down approach; there have been situations where an emergent strategy

or tactic that has come from frontline employees has been adopted. The owner said:

> *"New Ideas, usually it comes from me but not all the time. It will always come past my desk, but sometimes there's other employees-- so I try to encourage that as well. The best ideas is what needs to go out the door."*

IV.2.2 Incentives

The owner of CRW understands that he has a unique group of people that make

up his workforce. He feels that he's only as good as the people he employs so he strives

to only add people to the team who will add a great deal of value and understand the

culture of working in a small firm. For new employees who have worked for a larger

agency previously, they have to understand that working for CRW means there are fewer

defined processes, loosely defined position titles, and a great deal of responsibility placed

on each employee of the firm. To be fair and a good leader to his employees, the owner

tries to make salaries competitive and allow flexibility that other companies may not

support in larger companies. The work that his employees do has allowed the company

to stay open and profitable for over 15 years and the owner is very appreciative of

everyone's efforts. He stated:

> *"I think that you always reward effort and productivity, people who do the things that are requested, required, and more. To me that's a culture thing. People who best exemplify the true culture of the company to be supportive and hardworking, but to be sensitive that it's not about the company, it's about the people. Those would be the people that I would reward or incentivize quickest. Because I want people to see how you get ahead and what gets you rewarded. And so I try to reward the character and the activities that I want duplicated. And that's like selflessness, hard work, and integrity. So it's not about being the smartest or the best, but it's about displaying this culture."*

IV.3 Tensions

In an effort to remain competitive and perform well, small firms often face tensions that have the potential to disrupt production if not addressed. Instead of ignoring or stopping the tensions by taking drastic actions, it is often useful to use the energy created by the tensions in a positive way. CRW often faces internal tensions amongst its employees as well as external tensions from clients and the marketing industry.

IV.3.1 Internal Tensions

CRW has always hired enough employees to accomplish the work needed without having a surplus. Several years ago when there were not enough projects, the firm chose to lay off employees to stay afloat. More recently, it has used freelance employees as a way to prevent layoffs when the work streams slow down. This practice has allowed some employees to own projects from the beginning and do a large amount of the work on them. Unfortunately, as the firm becomes more agile, some employees are tempted to hoard those projects as a way to maintain job security. Owning a project has never been a determinant for job security but the CEO believes that some have had that impression. He said,

> *"We had some employees who owned some projects way more than I think is healthy for them or the company and to the point where they would be the only ones working on it and would not let or invite anyone else to be a part of it. They*

> *felt like that was their value piece. As long as they had this, nobody could touch them or whatever. They mother-henned the project and tried to do way too much to the point they realized, hey, I'm wearing myself out. I'm trying to do everything on my project, and that's why we've got all these other people around to help out."*

Such tensions create difficulties for employees wanting to collaborate or wanting to share the workload fairly. Sometimes communicating the goals of the organization and verbally setting standards is not enough to convince a person with financial obligations that they can feel comfortable working in a small firm with stability. In an effort to modify this behavior, the organization reiterates the priority for collaborating and working together as a team on all projects, whether big or small.

Conversely, there have been projects that employees were not passionate about due to personal issues, problems with the client, lack of communications from leadership, etc. When this happens tensions arise because the project is not given the same detailed attention as other projects. The small size of the firm makes these projects more noticeable to leadership, particularly when the level of effort is substandard or the work does not get the attention it needs. An employee on the current business team describes how team members work differently:

> *"Some people may just look at working on a project as a job to get done. Others may look at it as an opportunity to grow and prove themselves."*

No projects are allowed to be shown to clients without prior approval, therefore if a project does not get the detail it deserves, leadership steps in. When this happens, tension arises for the team members as well as leadership, which has to be addressed. The VP stated:

> *"I think the team knows with me, if you don't want my opinion don't ask me for it. And even if you haven't asked me for it, I'm probably going to tell you anyway. The agency has a reputation to uphold. We've worked too long and too hard to*

make this agency what it is. And people that aren't as involved or aren't as vested and don't have the history, even with their best efforts, may not quite be doing it our way. So that's why we try to -- either myself or our CEO -- have eyes on as many things as possible going out the door at some point just from a quality control standpoint."

In an effort to be fair and understand that each employee has different strengths, leadership chooses to address the work tension instead of addressing the person directly. This has worked in the past and allows the employee to take the feedback in a constructive way instead of taking any challenges to their work personally. The VP describes how they handle tensions:

> *"One thing I've learned about working with people is that everybody has their strengths and weaknesses. I'm a big believer in that whole Gallup's StrengthsFinder and you wouldn't expect people to all pursue their work in exactly the same way because everybody's wired up differently and everybody has different strengths. You have to learn their strengths and weaknesses. The best management is when people don't know they're being managed."*

IV.3.2 External Tensions

In addition to dealing with internal struggles, CRW also has external challenges that plague the firm consistently. As a small firm that does business differently than larger firms, it has to overcome biases and perceptions that other businesses have about small firms. There has always been a stigma that smaller firms are only able to complete tasks that are simple and that they require an immense amount of supervision. One employee stated:

> *"If this is a high level profile project or a top official at an automotive company versus a mid-level person, you've got to make some choices of your time. The work with the more difficult clients that we spend more time is challenging because they don't seem to trust us and they want to micromanage us."*

In an attempt to convince larger businesses that they could do innovative work, CRW has very high standards for the type of work it completes for its clients. In many instances, they have to work much harder to convince the larger companies that their

work will meet the standard and achieve the goals of the organization. An analogy was

used by the CEO:

> *"It's like you have to fight a better war because you're smaller, to stay alive. You have to be a better tactician to stay alive because when you're in there with the sharks, and you're a little minnow, you better have something going for you. You see the football games and the big players, and you have one little small player who's really quick and fast? That's it. He's really small, quick, and fast, and he understands what he has to do to stay alive. And, usually, they're 10 times better athletes than the other guys. So when you get a bigger contract, you're already strategizing in terms of how you will execute it, and so should you get it. You've already talked to some other companies that you can partner with. You've identified some people that you can hire and bring on. You've cut some deals with some companies that could work alongside you and do work with you. So it's all about the strategy."*

Another employee described the external tensions of the firm using a different analogy:

> *"When you're a smaller company you always have to be a lot more aware of the bigger players. It's kind of the analogy of the elephant and the ant. The ant always knows where the elephant steps, but the elephant never cares about where the ant steps. And so in that analogy - us being the ant - we're always super ahead of the markets, where they move, how they move, what major players are doing. So when they move, we can say, "Hey, we're there." Obviously, the challenge is getting them to trust you because you're an ant. ... So they love what you bring to them, they love your creativity, your innovation, your ideas, your energy, but the challenge for us is getting the buy-in."*

IV.4 Small Firm Challenges

There are always challenges that will plague businesses, large or small. However,

owner-managed firms that have grown organically through trial and error face unique

challenges. In addition to the internal and external tensions that are apparent because of

employee relations and stress from clients, distinctive challenges of smaller operating

capital, small working areas, and the need to work lean require strategic efforts to keep

the business viable. Cycles of high business traffic coupled with times where there is not

enough work to remain profitable produce challenges that have to be managed

appropriately. A graphic designer describes the challenges they have faced in the past:

"We had large enough clients where all I did was work on that one specific client. As long as they were here, a lot of times they produced enough work that it kept me busy. In order to fulfill other client needs, we staffed up. So we would always have a large number of graphic designers to account people ratio. So the new work that comes in the door, you look at the capacity of the persons that are working on the existing clients. And if you need more capacity, you just hire more people."

When CRW attempted to go after larger clients in the past, they met resistance because of their size. Larger clients have often discounted the work that CRW could do assuming that, because the firm was small, it would not have the capacity to complete good enough work. These larger firms assumed that the quality of work CRW's employees could produce would be substandard to the work that a larger service-oriented firm could produce. The owner gave an analogy of how he saw it:

"...they want a larger firm because that's how they judge capacity, which I don't think makes sense because not everyone's the same. For instance, if you walk into a weight room and you put two people who are 200 pounds beside each other one might be able to bench press 300 pounds and the other one might be able to bench press 135. That's kind of like agencies. I don't think size is an accurate determiner of capacity of work or quality for that matter, but I think you are kind of judged on that and I don't think you're given necessarily a fair shot to do some of the work that we're more than capable to do."

CRW has less working capital compared to larger firms. There have been instances where it takes months to get paid from a client which is a real struggle for a small firm. In the past there were times where the firm never received payment for the work completed for clients.

"We've had clients who we've had to negotiate deals with because they don't want to pay for the work we've done. It wasn't because they were upset, they just chose not to pay. They would tell us that they were going through some tough times and not going to pay. So then we have to figure out how, short of suing them, how to get paid. As a small company, you need your money, you don't want excuses. You want to talk about it, you don't want lawsuits. Some bigger companies know that you can't afford to go through some long, drawn out process to get your money. So they'll just try to string things out. They have their own lawyers, and so they'll just say, "Hey, come after this if you want it." So, you can spend all your time

trying to fight a battle, which is not what you really want to do. Maybe you can figure out some type of negotiated agreement where you can get your money, but that's what you have to do sometimes. Half a dollar is better than no dollars so you negotiate whatever terms you can do."

In addition to having struggles with the quality of CRW's work being discounted by larger clients, the credibility of the firm has also been questioned by potential clients. At times they have been discriminated against because they are small but also because the firm is owned by a minority. Having to prove that a small, minority-owned company can also do great work has been an obstacle. The owner describes several situations:

"Credibility is number one, then there's a race perception issue. I've always tried to market myself as a talented agency, one that brought certain skillsets to the table that could do a really great job. Inevitably, in a majority of scenarios where we're working with big companies, who've dealt with big agencies, they've either brought the size or race thing to the table. I've had companies say, "We thought all you did was black work." And I respond, "I don't even know what that is." Or they say, "Well, you guys only have like 15, 16 people." A lot of them don't understand that unless you really have a major account, you're only going to get three or four people on your account. It's not like you're going to get 15, 20 people on an account that's a couple million dollars. So I would put our three or four that we would have on our account up against anybody's three, four, five, or six.

But a lot of big companies, they look at your capacity and say, "Oh, you can't be that good because you're not that big." Or they'll say, "You're a minority company, so you might not know how to work in mainstream." As if all minorities only went to an all minority school, and we learned like minority marketing versus marketing, or advertising. This is weird because you went to the same schools and we took the same classes. But then when you have a business, you're looked at differently."

Fortunately, when faced with such adversity, CRW has never let ignorance about their size or status dissuade them from continuing with their goals. In some instances, the firm has had to be creative and work harder to accomplish goals but there has always been progress. The owner has never let outside pressures or challenges dissuade them from producing great work with their limited personnel. One employee describes the feelings towards the company:

"I think in our atmosphere; you don't ever feel less. You always feel we're on an even plane. The president doesn't even really like to have titles. The CEO can clean the bathroom or something just as much as a person what would be considered a lower person in the company to do. We're all on an even playing field, which is really great. And I don't think you find that a lot in larger companies that I've experienced before. It's just you feel a little degraded sometimes in larger corporations that look down upon you like, "Well, that's your job because it's beneath me to do that." But you don't feel that here."

IV.5 Ambidexterity

The goal of this study is to understand how small owner-managed service firms can simultaneously exploit and explore opportunities to improve their performance. In order to do this, the owner-manager has to be able to tap into the talents of their employees and motivate them to proactively work on enhancing current opportunities with their current streams of business while simultaneously looking for new opportunities with new streams of business. CRW has overcome many obstacles as a marketing agency and it owes it success to the strengths of its leadership and employees. The owner described how they are able to be successful amid the challenges of being a small agency:

"We look at people's alpha talent, their most obvious talent. They might be a graphic designer but they also might be a really good spokesman and present really well. Then we'll want to take them on new business as well. Then we prep them for how we want to utilize them. So they'll know their role in new business. They get to help us present the materials or they can help us in the pitches. They'll know where they want to go and when to hand it off to somebody else. They'll know how they can help us generate new business."

In addition to tapping into the talents and strengths that each employee has to offer, the agency also has to be flexible with how it conducts business each day. Having employees that pursue cross-functionality in their day-to-day activities allows the firm to maximize their potential.

"There's a little bit of cross functionality with all the areas. You may have somebody in new business who's actually managing an account, be on the operational side as well as have an administrative function that they may do."

The phenomenon of ambidexterity is definitely apparent within the CRW firm, primarily with how the firm is structured and how each employee is responsible for the work they do each day. Specifically, contextual ambidexterity is the type of ambidexterity present based on how the owner has created an environment and the decisions employees must make. Unlike structural ambidexterity, the employees are not in separate subunits while working on either exploitation or exploration activities. Punctuated ambidexterity, although it has several similarities, is not what is present because focus does not have to be solely on one approach then switched to the other approach. Therefore, contextual ambidexterity is a good fit because employees are able to choose when and how to direct their work. Additionally, by fostering an environment where employees have the discipline and trust to keep the goals of the company at the forefront, they are able to achieve a different level of success while doing business differently than many large firms. The interview protocol was designed to elicit responses from the respondents that were related to exploitation or exploration in different questions. However, the answers received were often reflective of exploitation and exploration. This made the coding process more difficult to breakdown the responses as either exploitation or exploration. This occurrence reinforces the notion that ambidexterity is present within the firm.

The term exploitation in relation to ambidexterity is described by March as, "the refinement and extension of existing competences, technologies, and paradigms. Its returns are positive, proximate, and predictable." At CRW, having a diversified operating model means that each client is different and each solution for a client is unique with different requirements. Clients retain CRW to create new and exciting ideas that will

grow their client base on most occasions. When clients value their relationships with

CRW and see them as partnerships, CRW has the ability to offer new growth

opportunities for the client that will enhance their current work streams and solve

problems.   The opportunities were described as:

> *"Some clients come to us because they respect our intelligence, experience and what we bring to the table. These are partnerships where they are open to new ideas, want to collaborate, and it's okay to challenge them and ask them questions. We are learning that we are functioning better as an organization in working with clients that are more into a partnership, that come to us for ideas, instead of asking us to only execute their vision. I think the results are better that way rather than us just executing somebody's idea their way."*

An advantage that owner-managers have in small firms is that they generally

attract a great deal of their business by developing relationships with their clients. This

allows the owner-manager to understand the needs and problems that their clients face,

which ultimately helps grow the business opportunities that CRW is able to develop for

its clients. Instead of developing strategies and solutions and hoping that they will be

attractive to its clients, CRW produces solutions that can solve a specific problem for its

clients based on the information obtained from those relationships. The owner described

the firm as strategic problem solvers:

> *"... it is important for us to solve problems. People may not remember what they bought from you, but they do remember if you helped them solve their problems. And that's the thing-- someone may not remember every nice thing you said about them, but they'll sure remember when you hurt their feelings right? A client may not remember every time we designed something, but if we screw up something bad or don't solve their problems, they would definitely remember that. So I try to continue to preach that message of, we don't have anything to sell. We're creative problem-solvers. And we'll bring our skills with us when we come to solve the problem, but we don't have to try to sell anything that we have."*

Another employee described the opportunity to exploit new business by knowing

the business needs of clients and always working to stay current with market trends:

"... now our focus is more on trying to identify the right opportunities and growing the existing opportunities. So part of that is looking within an existing opportunity and then trying to develop new trends, new ideas, new opportunities, new lines of development within an existing account. You may have a company that has done the same thing for a number of years. We tell them that they could very easily take advantage of an opportunity if they did these things and these tweaks that we have at our disposal. Most of the time it's met with acceptance or with surprise. Sometimes it's also met with a lot of reservations because we are taking them outside of their comfort zone."

In business, the goal of exploration is to develop new competences for the firm that can attract new business. In marketing, exploration is using new market trends, tools, and technologies to offer new business opportunities to clients. Exploration involves risk and March describes it as, "experimentation with new alternatives. Its returns are uncertain, distant, and often negative." CRW uses exploration as an approach to stay ahead of the competition and attract clients that are looking for new and trendy alternatives to what their competitors are using. To stay up-to-date, CRW encourages all of its employees to constantly come up with new ideas and techniques that may be useful. An employee states how the work environment is open to new ideas as:

"Some ideas are better than others, but it's it is an open environment, and there's no bad ideas. Pick up the hand of spaghetti, throw it at the wall, see if something sticks. If it doesn't, wipe it off, do it again."

The leadership and frontline employees at CRW understand that with exploration comes risk because every new avenue may not lead to success. There is often failure associated with exploring new opportunities, especially in a diverse environment with unique solutions for every client. To stay current with the quickly changing market trends, the firm has had to adjust its level of efforts as it relates to exploration. One employee describes their attempts as:

"I feel this year, just because of the sheer volume of it, there's probably been a disproportionate amount of time and attention spent on the new accounts and

business development, only because the risk is well worth the reward in this one. We were never going to get any bigger than I think we've been the past two or three years if we didn't make a quantum leap in who we're talking to, how we're talking to them, and the work that we're doing for them."

While ambidexterity is present within CRW it is important to understand how it is possible. Each employee is different and ambidexterity is more than the sum of their individual contributions. In an effort to understand why employees are motivated to achieve high levels of performance, Birkinshaw and Gibson's characteristics of performance management and social support within contextual ambidexterity are examined next.

IV.5.1 Performance Management

Birkinshaw and Gibson describe performance management as being "concerned with stimulating people to deliver high-quality results and making them accountable for their actions." Stretch and Discipline are the two behaviors examined at the firm within the performance management characteristic. Understanding the need to compete with larger companies has led the firm to focus on how performance can be altered by the day-to-day activities of each employee within the company. Having a high attention to detail has elevated performance and the amount of revenues that the firm is able to achieve. One employee described the changes in performance as:

"Adding commas and three zeros after an account has made big difference in how we act, how we feel, how we perform, and proving to ourselves that we're perfectly capable of doing this."

IV.5.1.1 Stretch

The stretch behavior within performance management is described as being able to inspire employees to be organized and create ambitious goals for themselves. Within an exploitation and exploration context, this motivates the employee to be ambitious about putting out great work for existing customers that will lead to new opportunities

while also being motivated to look for new and unique opportunities for the firm to invest

their resources. One employee describes performance within the firm over the last year:

> *"I think performance has increased. I think we've challenged ourselves. We handled a lot more ourselves as individuals and as a team in different ways than we thought was possible. This has been the most creative year we've had as an agency. We've still got the bread and butter work that keeps the lights on, keeps the bills paid, enables us to have people and free us up when we have a minute to breathe, to stretch."*

Focusing on performance also introduces change to organizations, which may not

be easy to handle. To accept change and concentrate on performance, employees have to

push themselves to step outside of their comfort zones on a daily basis. Leadership

described the efforts:

> *"There were so many things we didn't know. We're learning something new every minute of every day, as the client goes through changes. This was a place where being nimble and small really served us well. We weren't locked into saying we don't do that or we don't think that way. We were really able to pivot, shift, move on, try it, see what happens, as long as we kept in mind that excellence is mandatory. Failure is not an option. That performance type of level-- that's more our attitude. Performance ramped up to an entirely new degree in this past year. I feel like we've kept pace with the change, it feels good in general, but it still keeps me up at night worrying about it. So I'm cautiously optimistic about it."*

IV.5.1.2 Discipline

The second behavior of performance management is discipline, which happens

when employees are able to meet objectives and complete projects on time with the

resources available. Discipline is also related to the transparency that leadership displays

about the goals and expectations of the organization. In order for employees to meet

expectations and produce worthy solutions for clients, leadership has to communicate

initiatives in a fashion that all employees can grasp and produce work to help

performance. One employee described his dedication to the job as:

> *"I'm a workaholic to a certain extent, I'm never really not working. I might not be at work but I'm partly always thinking about something, working on something*

in my head. Developing a concept, and that's no knock on anybody else it is just, that's kind of how I'm wired."

Several employees mentioned that their day is often dictated by urgent requests from clients, requests from management in addition to completing the items on their schedules.

> *"Timeline determines a lot of what I do each day. For example, when I'm writing, I need to block out time for that, so I'll schedule out my week to where I'm still meeting our timeline, but I'm still making progress on other things. Even though some assignments may not be due this week, I don't like not working to meet a deadline. But if my manager sends an e-mail asking for something today, then I have to sometimes push back and ask to delay it because I have to make this deadline. Usually it works but sometimes you just have to drop what you are doing and get it done in that moment."*

With different projects demanding so much of each employee's time, it takes discipline to stay organized and complete tasks on time, within budget, and with enough innovation and creativity to satisfy the client. The owner described how projects that require so much collaboration are able to be completed on time:

> "*Each person works differently on our team. Some people knock the work out as soon as it comes through the door, some people work on it a little bit at a time, and some wait until the last possible moment to get the work done. However, everyone knows how much is at stake and is accountable to one another. When deadlines are looming, my team does whatever it takes to get projects done because they are all committed to our success."*

IV.5.2 *Social Support*

The social support characteristic of contextual ambidexterity has two behaviors, support and trust. Birkinshaw and Gibson describe social support as fostering an environment where employees are able to focus on their strengths and the value they add to the organization not only by doing their work, but also by making themselves available to help others overcome obstacles and produce great work.

IV.5.2.1 Support

When employees are able to rely on each other to achieve goals, the level of support increases. This support comes from management downward to employees but it is also present amongst employees on a daily basis. The type of work that CRW produces for clients often has a writing aspect, a design aspect, and a technical component. This requires that employees work collaboratively to meet the needs of the project. When work is commenced on a project it is often broken down by skillset to capable team members. One employee stated:

> *"So it's not about, "It's old and new", it's about skill sets that fits that client. And so if the client is like a digital, and we have some people who are really good in digital, then that group will work on it. If it's something more media related, then-- so, that's according to what the opportunity is. So then, we try to put together what we think would be the best collaboration-- team collaboration to see that project through."*

In order to get work done on a timely basis, there is an amount of accountability that each person is required to possess. On a regular basis, employees consult with one another about progress or for feedback on a project. This is often done by having face-to-face, informal meetings to discuss strategies. One employee said it is as easy as a "holler" across the room at times:

> *"Sometimes it is a just a quick holler. We have that online tracking system where it's easy to say, "Hey. I'd love your feedback on this." Or print something out at the printer and leave it at somebody's desk with a note: Hey. When you have a minute, could you read through this I make sure that I do this. I expect my team to do it for me, to bring it up through me, just because I may know or see things at a higher level. But I also respect that my teammates and others on my team have a different perspective. And after you've looked at something 100 times, maybe a fresh set of eyes isn't a bad idea. There's formal and informal ways of doing it."*

Other employees described their interactions with one another by stating:

> *"I always like to go and talk to people and look at them and show them or whatever, say. Maybe I will email you something to look at, but I'm a big believer in the whole body language. You can get so much more out of an interaction with someone when you are person to person. Now, that's not always practical either.*

We have a communication tool, I call it where texting and email meet. So we've been using that some. We haven't adapted it throughout the agency yet, but. You can drag documents into it, and so it has some very purposeful-- that kind of connectivity, like more than one person could be looking at a document at one time. Kind of like an Office 365 where we share the documents and stuff like that."

IV.5.2.2 Trust

The notion of trust in social support is an environment of openness and fairness amongst everyone in the firm. It is a two-way street between all frontline employees and the leadership of the firm. Having trust allows performance to increase because everyone is working together to achieve a common goal. When asking an employee about whether other employees find him trustworthy, he stated:

"It's definitely increased but I think they're still learning about who I am and I'm still learning about who people here are, they're still learning my skill sets, what I'm good at, what I'm not good at, and how we work together. I would probably be a little bit more surprised honestly if they were like 100% confident in like, "Hey, let's give all this stuff to him." That wouldn't really make sense to me."

Trust is a characteristic that is not automatically given in every situation at CRW. Some employees feel that trust is earned based on the level of work you do each day. Another employee describes how trust can be compromised when someone is not performing enough:

"I feel like it's my responsibility to earn that trust every day, though. I don't ever want to take it for granted. Yeah. I don't want anybody to ever feel like it has to be any certain way. If they feel differently, if I'm slacking, if I'm not performing up to par, if I'm not bringing my A game every day or even my B game - some days are bad - I fully expect my team members and management to kick me in the ass, and I'm open to that."

IV.5.3 Achieving Contextual Ambidexterity

The use of semi-structured interviews, site visits where meetings were conducted, and reviewing process documents of CRW show that ambidexterity has evolved over time in the firm. It did not happen purposefully, but primarily through trial and error. As

an owner-managed firm, there has never been a strict guide instructing how business should be conducted on a day-to-day basis. The culture of the firm is informal and flexible in an effort to promote creativity and openness for its employees.

While conducting the interviews, it was apparent the firm allows enough flexibility for each employee to work in a fashion that is conducive to their unique work habits and routines. Some employees work a standard eight to five week, take an hour long lunch, and promptly leave at the end of each day. Other employees come in later in the morning, work all day and barely leave their desk. Some even work during the day and throughout the weekend as well. It is not uncommon for the office to have employees working and sending emails late in the evening and during their weekends; they work when they feel they can be most productive. Leadership expects that they will work at least 40 hours a week but the focus is more on achieving goals instead of counting hours. Some employees walk around with headphones on barely talking to one another whereas others constantly move between desks conferring about projects. The owner has an office but primarily sits with the designers and account managers on a daily basis. This flexibility allows everyone to work in a space that is most comfortable for them.

When speaking to the owner about how they have been able to survive so long and remain competitive he stated:

> *"Success did not happen overnight for us. It came through a lot of disappointments and setbacks until we were able to figure out what worked. I've found that telling people what to do and when to do it did not help us perform better. I had to set almost impossible goals and let them figure out how to achieve them. As long as they know that at the end of the day they are accountable for the work they put out, I let them do what they want to do. We have standards and expect close to perfection, which is enough to get what we*

need for clients."

Growth and success appear to be organically produced at CRW but there are some

standards and rules that the company has to follow to be functional. In order for

contextual ambidexterity to be present, employees have to be simultaneously alternating

between exploitation and exploration during their daily activities. In an effort to

understand how CRW chooses to allow each employee to do both exploitation and

exploration, the owner was asked why employees are tasked with both activities.

> *"We have never had the luxury of only having one responsibility. We don't have enough people to give one person one task and another person a solely different task. Even if we did have the capacity to do it, I don't think we would because it would get boring. The basis of what we do revolves around creativity. No one wants to do the same exact thing every day, it stifles who you are in our field. You have to be looking for the next best thing, otherwise you get complacent and you start to lose business."*

One designer described the necessity to always work on new creative strategies as:

> *"In marketing, you get ideas from everything you see. You see it walking through the airport, shopping at the grocery store, even just watching television. In order to bring in new business, you always have to think outside the box and keep learning new techniques. If you were to only work on maintaining existing work, you would lose your flair.*

The need to work on exploiting existing work is:

> *"...a way to try out new ideas without having to reinvent the wheel. The old work already has a baseline so trying something new will only make it better."*

The constant challenge with maintaining current business opportunities for

existing clients makes the tasks of exploitation and exploration more feasible in service

oriented companies, particularly CRW. There are certain accounts that help pay the

overhead while other accounts help with growth. When there are less opportunities for

growth because business has slowed down or a client may have been lost, the company

has to be able to continue operating with less revenue. When this happens, it is likely

that ambidexterity may be lost, particularly if performance is affected. The owner

described challenges that arose when clients were lost:

> *"We had a rare occurrence that has affected our earnings, but it wasn't due to the quality of work, our ability to perform or anything that we could have done. It was just a situation where we had two major clients that we lost. Everyone was concerned whether there would be mass layoffs or would I be firing everyone. And because of that performance was affected by circumstances."*

The competitive nature of service firms makes it difficult to compare a large firm

with more resources to a smaller firm like CRW. The owner of CRW knows that there

are other marketing firms that have the same tools and the same opportunities as his firm

but he feels that they are successful because of the people in the agency.

> *"We all use the same tools and we all have the same software. So it's your people and what you put to it. It's like two kids with a crayon, and one can color really good and the other one can't. It doesn't make a difference how many crayons you give him. The kid who is a better at coloring is going to color better. It's not about the tools, it's the talent of the kid. And that's the same way I see agencies. It doesn't matter what you give us and what you give some other folks. Some things we're going to be better at and some things they're going to be better at. We just need to be best at what we're good at. So we focus on what we're really good at. It doesn't matter what anyone else does."*

V DISCUSSION

This study began by acknowledging that small owner-managed service firms face unique challenges when trying to increase their performance because they do business differently than larger service firms. There is an abundance of literature about achieving ambidexterity in firms but none addresses small owner-managed service firms. This apparent neglect has prompted us to answer the following research question: how and why do small owner-managed service firms pursue exploitation and exploration simultaneously to increase performance? By analyzing the case study data through the lenses of March, Birkinshaw, Gibson, and others, our findings are positioned to make both theoretical and practical contributions.

The theoretical contribution extends the concept of contextual ambidexterity to the domain of small, owner-managed service firms. We partially fill a gap that is present in the literature related to small firms achieving contextual ambidexterity. This study shows that contextual ambidexterity is attainable in small firm settings and demonstrates how ambidexterity can be realized.

The practical contribution shows how ambidexterity is developed and sustained in small, owner-managed service firms. Owner-managers are able to use performance management and social support behaviors to modify their business practices in an attempt to increase performance. By modifying how they conduct business, they are able to empower their employees to understand performance as a motivation to work on both exploitative and explorative activities. Additionally, social support behaviors can encourage employees to work together and meet the objectives of the firm in the short and long terms. By making changes in performance management and social support, the firm is able not only to satisfy the needs of its existing clients by improving the services

they offer, but also increase the chances that the firm will be able to acquire business with new clients.

This remainder of this section elaborates on the contributions that this study has on theory and practice.

V.1   Contribution to Theory

This study has a strong foundation provided by the extant literature of March, Birkinshaw, and Gibson. The findings of this study are directly related to the topics studied about organizational ambidexterity as well as contextual ambidexterity. This study provides a new contribution to the ambidexterity theory by showing that ambidexterity can emerge informally, without being directly implemented by an organization's leadership. This study also shows that small organizations with limited resources and loosely defined standards can become contextually ambidextrous.

Punctuated ambidexterity is introduced in the literature review as an approach where the firm focuses on one strategy of exploitation or exploration for a certain amount of time then switches focus to the other approach later. The analysis of the semi-structured interviews reveals that there are some instances of punctuated ambidexterity in the firm. In this case, punctuated ambidexterity and contextual ambidexterity are complementary, however contextual ambidexterity is more prevalent. The internal and external pressures that the small firm exhibits makes achieving performance enhancements more challenging if the firm was intentionally focusing on punctuated ambidexterity. This is primarily related to the time constraints on projects where employees are often required to switch from one approach to another based on the needs of a client.

The extant literature related to ambidexterity assumes that ambidexterity is achieved by top management taking the initiative to introduce the notion of exploring and exploiting simultaneously to its employees (Lubatkin, Simsek, Ling, and Veiga 2006; O'Reilly and Tushman 2004; Zimmerman, Raisch, and Birkinshaw 2015). Most literature argues or implies that ambidexterity requires a formal approach in which top management pushes down initiatives to frontline employees through middle managers who have studied and understand the techniques. This study shows that ambidexterity can emerge out of necessity, without direct intervention of management, defying the traditional rules of implementation. Ambidexterity emerged in CRW primarily through trial and error. The firm knew that it wanted to boost its performance with their limited resources so it had to be flexible with the roles each employee assumed. This agility allowed employees to spend time working on current business but also demanded that they look for new opportunities that could help attract new business. This phenomenon is characteristic of small firms that have to work harder to remain competitive in an industry dominated by larger firms with numerous f clients. By showing that ambidexterity can emerge without requiring additional resources from top level management, this study may encourage practitioners to create work environments that give its employees the autonomy needed to choose which approaches works best for them as long as performance is positively impacted. We show that an emergent form of ambidexterity is possible, not by luck, but by motivation from leadership to find what works to help performance. It may take experimenting to find what works but the study shows that it is not by chance.

Birkinshaw and Gibson use two mutually reinforcing characteristics, performance management and social support, to guide how organizations can achieve contextual ambidexterity. Ghoshal and Bartlett introduced four behaviors that give direction to those characteristics as well stretch, discipline, support, and trust. Each of those four behaviors are present within CRW based on the analysis of the study. The combination of the behaviors has helped performance increase within the firm, particularly over the last year. Our study contributes to these theories by showing that the four behaviors introduced by Ghoshal and Bartlett do not have to be top-down strategies. These behaviors can be emergent and still be effective, as shown at CRW. By applying the four behaviors to the Birkinshaw and Gibson characteristics, the firm has a high-performance context but comes close to burnout. This appears to be a safe place for the owner-manager of CRW by doing more with less and always looking for opportunities to grow and expand. Fortunately, the high levels of social support inherent within the company through incentives, salaries, and support amongst employees has been able to sustain and balance the firm during tough times. The discipline and stretch behaviors has been able to provide assistance to employees because there is a system which allows for open and fast feedback with clear expectations.

This study contributes additional insights into the behavior of social support. Support is defined by a greater availability of resources, increased autonomy, as well as additional guidance and help for employees. At CRW, the availability of resources allows employees to obtain knowledge within the firm but also allows for external information to be obtained as well. Small size contributes to the ability of employees to acquire such a broad range of knowledge. Increased support and autonomy from

leadership also gives employees the freedom to make their own decisions regarding how they work best with less interference, which is supported by flexible work hours, locations, and software choices. Within CRW, formal and informal structures are arranged to provide support to its employees. The collaborative nature of the work allows employees to work together to complete projects. By using software to track projects and working closely with team members, even employees that work on different teams are able to provide assistance when needed. This behavior has been elevated by the different skillsets that each employee possesses. As the CEO explained, the firm is only as good as the sum of its people so each person has to add value and be accountable to their peers.

Finally, this study contributes insights into the behavior of trust by showing how the involvement of leadership in the day-to-day activities on projects increases the level of trust within the firm. Ghoshal and Bartlett describe trust as a higher level of fairness, a level of involvement in essential activities and a higher level of personal competence at all levels of an organization. In order for trust to be present there must be a real and perceived sense of equity amongst employees. The fairness must be vertical through the ranks and horizontal across peers. Additionally, having employees and leaders who are involved on a day-to-day basis while making decisions allows employees to trust the organization and its processes more. At CRW, trust appears as a result of experience within the firm. As employees work together and witness the capabilities of one another more, trust appears to grow. It is a quality that can increase and decrease on different projects depending on the performance and accountability of each team member. There appears to be a fair amount of trust of leadership by employees because leadership stays

involved with projects and makes themselves a part of the team on every project. As each employee is able to manage the tensions that arise within projects, trust is reinforced and expanded within the firm.

The knowledge gained by exploring a small owner-managed service firm is a unique contribution to the literature related to contextual ambidexterity because is able to show that contextual ambidexterity can be emergent, informal, and possible in resource limited capacities. The theory contribution is able to answer the research question accordingly.

V.2   Contribution to Practice

There are multiple activities that small owner-managed service firms perform on a daily basis that allow them to be contextually ambidextrous. They have unique relationships with their clients, they conduct human resource management differently than large firms, and they successfully manage internal and external tensions. These activities can serve as a guide to practitioners looking to enhance their behaviors in small firms to achieve contextual ambidexterity.

Faems et al. (2005) believe that small companies should focus on either exploitation entirely or only explorative activities to become more effective. Their claim is that focusing entirely on one approach will avoid many of difficulties involved with trying to become ambidextrous, unless there is an alliance with other business partners to boost their capabilities. Firms that focus on only one approach or the other are more successful in the short term. The analysis from CRW shows that in order to sustain performance over time, the firm has to be able to explore new opportunities as well as exploit the current business. Suddenly losing contracts, even through no fault of their

own, puts performance in jeopardy. With less operating capital, simultaneous pursuit of exploration and exploitation can balance the risk of having only a few clients due to limited size. Although Van Looy et al. (2005) argue that an ambidextrous organization requires more managerial resources to be effective, CRW has demonstrated a strategic pursuit of both approaches. By maintaining relationships with almost every client, the owner-manager is able to manage expectations and promote the firm as "creative problem-solvers" who do not sell services but instead solve problems. CRW's ambidextrous nature allows it to fulfill this promise to existing and prospective clients.

Andriopolus and Lewis (2010) acknowledge that small companies, particularly owner-managed firms, have different business processes and rules than large companies. This includes the physical attributes of the firm such as office layout, employee roles, and human resource management. A good portion of the literature looks at small-firm business processes and physical capacity as a disadvantage. While initially true for CRW, they have been able to function continuously as a small company while their revenue has continued to grow. By having flexible roles for their teams, employees have learned to work together to complete tasks instead of doing only what is listed in their job description. As one employee put it, "the CEO can clean the bathroom just as much as someone else." While large companies have dedicated human resources departments to handle hiring employees, in an owner-managed firm like CRW, the owner handles most hiring. Although it is an additional responsibility, it also allows the owner to hire people that he is confident will fit into the culture of the firm. By working with the teams on a regular basis, he can assess the needs of the firm better than an employee in a separate HR department. Additionally, having the flexibility to pay new hires at his discretion is

different than in large companies, where there are stricter guidelines that govern positions and salaries of employees. Thus, small firms that do not have formal, delineated positions for all their employees, can still be successful.

A major practical contribution of this study is the focus on managing tensions associated with contextual ambidexterity. In the literature, March (1991) discusses complications that arise when there is a competition for scarce resources when exploitation and exploration are pursued simultaneously which leads to implicit and explicit decisions being made. When there are limited resources, such as human capital and time, there is a tendency for each employee to do what is most comfortable, which may conflict with the direction of the business. In a small firm, this is magnified by the internal and external tensions that are circumstantial to the specific business taking place. Andriopoulos and Lewis (2010) believe that tensions are likely to increase when employees are required to choose between completing exploitation or explorations tasks during their daily activities versus focusing solely on one approach. At CRW, although employees have a designated role in either current business or business development, they often cross lines and work on projects in the other department. It is not uncommon to see an employee of the business development team working on a project that resides within the current business team. This may cause tensions because the person asking for help may not want the input from another team member. However, because each team member has different technical expertise or experience with the client, the cross-functionality is necessary.

As Andriopoulos and Lewis (2010) explain, the objective should not always be to resolve tensions but rather to tap into the energy that these tensions create. In CRW, one

can tap into the energy by allowing the team members to collaborate and learn what to do if the situation presents itself again. Another way to tap into the tension is to create an opportunity for the new business team member to teach the current business employee what they know so that the current business employee learns a new technique for future use. At CRW tensions also emerge when every project is reviewed by leadership before going out to the client. Leadership believes that CRW has a very good reputation to uphold and they may have different standards than some individual employees may have. To help manage the tensions, the team conducts brainstorming sessions to get input from employees who may not be involved on a regular basis. The pressure to perform to the owner's and fellow employees' expectations generates additional effort to perform at a uniformly high level.

In addition to the internal tensions that CRW faces on a regular basis, it also experiences external tensions that must be managed. The literature does not address how external tensions from clients can affect small firms, which is an additional gap in the literature. These external tensions appear when larger firms take advantage of the small nature of the firm and when clients expect the small firm to fail because it has limited resources when compared to larger firms in the same industry. To deal with these tensions, CRW has gone above and beyond their normal processes to please larger firms. They often spend more time with "difficult" clients because "they don't trust our abilities and want to micromanage us." The firm has also become more strategic in dealing with the external tensions involved when going after new business deals. They have built alliances, increased their team sizes and even underbid on contracts in an effort to get new business. While it may seem counterproductive to underbid on contracts, it gives the

firm to get an opportunity to show its capabilities. By understanding how some large

firms try to exploit the smaller firm, CRW is able to manage the tensions by

communicating with their team the expectations and having even more visibility on

projects to keep the client happy. As a frequently "underestimated" minority-owned

firm, CRW embraces its minority status but also approaches new business opportunities

as any firm would approach business, large or small, minority or not.

Because these theoretical and practical contributions are drawn from an in-depth

qualitative case study, they provide numerous concrete examples in answer to the

research question. In our Conclusion section, we assess the limitations of the study and

offer thoughts on future research.

VI CONCLUSION

VI.1 Limitations

This case study and analysis has been able to fill a gap in the literature involving contextual ambidexterity in small, owner-managed service firms. By using March's ambidexterity theory about simultaneously exploiting and exploring coupled with Birkinshaw and Gibson's theory about contextual ambidexterity with performance management and social support, we have been able to show that ambidexterity can occur in small firms without formal implementation. Admittedly, there are limitations with this study. First, this is a single case study which limits the generalizability of the results to other cases. To address the issue of limited generalizability, there is detailed evidence about the behaviors present that led to a contextually ambidextrous environment for the firm. This information may help future researchers in assessing the transferability of the findings within this case to other cases.

Second, this case was studied retrospectively with interviews recalling previous situations that occurred months and years ago. In an effort to minimize recall bias, multiple stakeholders were interviewed about similar timeframes and situations. By asking the same question differently to the same respondent, an effort was made to mitigate any biases. A longitudinal case study with access to real-time data would increase the reliability of this study.

Lastly, the limited number of employees also provides a limitation to this study. It may have been useful to interview current and past clients of the firm to get additional feedback on the way the firm conducts business differently than larger firms. It would have also given insight on how the firm is perceived by its clients and other stakeholders.

VI.2 Future Research

This study has several implications for future research related to ambidexterity. First, future research could apply the ambidexterity lens to other service-oriented firms with different compositions to examine how they do business differently and whether it affects their performance. Second, future research could study a firm that is not performing well and apply the four behaviors inherent in support performance management and social support to examine whether ambidexterity occurs over time. Third, future research could compare a small firm setting with a large setting to see how ambidexterity occurs with direct interventions that apply and reinforce the four behaviors.

VI.3 Closing

Engaged scholarship is an attempt to bridge the gap between science and practice. This study has attempted to bridge that gap by studying ambidexterity through the lens of March, Birkinshaw, and Gibson. The goal is for the information in this study to be useful to both scholars and practitioners in their endeavors. By taking a critical realist approach, we have wanted to understand why things are a certain way within small owner-managed service firms when employees and leadership are responsible for pursuing exploitation and exploration tasks each day. This study has shown that although small firms face many challenges to keep their doors open and remain competitive, they can apply approaches that allow them to be successful. The phenomenon of contextual ambidexterity can emerge through necessity and creativity when the will to succeed is strong enough.

APPENDICES

Appendix A: Engaged Scholarship Research Design

Code	Description
All hands on deck	Everyone drops what they are doing and focuses on the issue requiring immediate attention
Ambidexterity	Simultaneously pursuing exploration and exploitative activities
Balance	A fair amount of time spent on things equally
Bandwidth	Enough time to focus on tasks appropriately
Breadth and Depth	Being able to do a wide array of tasks and delve into them thoroughly
Capacity	Not having enough time for everything you want to do
Challenge	Being forced out of the comfort zone of the firm's competencies and having to learn how to accomplish something new
Collaborate	Working together with team members to achieve a common goal
Company Dynamics	How the firm works in a unique way to function on a daily basis
Culture	How the firm tends to operate subconsciously
Emergent	Things that appear organically
Freelance	The use of independent contractors to work on projects
Growth	Increasing the amount of revenues for the firm in a year
Money	Being aware of the costs involved with certain tasks
Nimble	Being agile enough to change with little effort
Organic	Growing and developing internally without lots of effort to be a certain way
Owner Manager Characteristics	How the owner manages the firm based on experiences and what has worked through trial and error
Performance	The level of work done by the firm
Pivot	The ability to change to meet expectations of the client
Prior Experience	The skills obtained from working at another job
Processes	The rules used to get work completed
Protected Classes	A group of people that are legally protected from discrimination
Relationships	The associations built between the firm and the client
Respect	Treating someone fairly

Scope	The possibilities of that may happen with the project or work
Seeds	Putting possibilities before clients in hopes that they will choose them
Shift	Moving from one focus to another
Silo	Working with a set focus on a specific goal, usually completely exploitation or exploration
Small Company Characteristics	The ways in which small companies have to maneuver in order to survive
Strategy	The approach for determining success
Top Down Approach	Getting direction from leadership as to how to proceed on a project or goal
Word of Mouth	Referrals that come from people talking about the good work that the firm is doing
Structural Ambidexterity	Separate entities for exploitation and exploration
Contextual Ambidexterity	Making the choice to pursue exploration or exploitative activities
Punctuated Ambidexterity	Spending time on exploitation then switching to exploration activities
Exploitation	Refinement and/or extension of existing work
Exploration	Experimenting with new alternatives for work
Tension	Stress or strain resulting from the competing characteristics of exploitation and exploration
Performance Management	Stimulating employees to deliver results and enforcing accountability
Social Support	Support of all employees that leads to better results
Stretch	Inspiration of employees so they will work harder and challenge themselves to produce better results
Discipline	Exercising control over one's activities to meet objectives in a timely manner
Support	Employees relying on one another to succeed and perform in an effort to deliver results
Trust	Openness and fairness of all employees
Company Dynamics	The way in which the firm operates to conduct business
Prior Experience	Experience that was gained prior to coming to the current firm

Appendix B: Interview Protocol Owner

1. For the purpose of this discussion, I am defining performance as meeting goals and deadlines. This includes maintaining and acquiring new clients that will support the business through revenues. In the past year, how do you feel about the agency's performance?
2. Do you feel performance has increased, decreased, or stayed about the same?
3. If there was a change in performance, what do you attribute that change to?
4. How do you feel the agency performs when it comes to working on or enhancing current capabilities and projects?
5. How do you feel the agency performs when it comes to exploring and going after new opportunities?
6. Do you feel the agency goes after new business as it does refining current business opportunities? Which do you feel the agency does more of?
7. Are there certain people on your team that work on existing projects vs new projects? Please explain.
8. How are tasks divided up amongst employees?
9. Are there certain projects or tasks that particular employees own?
10. What happens when these projects or tasks need changes? Does only that person work on them?
11. Do you offer changes and new opportunities to existing clients as to how they may optimize current projects? Please explain.
12. How do you rate the performance of this agency with other similar sized agencies?
13. Do you feel that you are beating the competition, doing about the same or you are behind the competition? Please explain.
14. As the owner of the firm, how did you get the expertise that you now have? Was it formal training, experience with another firm or you just learned along the way?
15. Have you ever gotten large contracts that you did not have the human capital to support? If so, how did you manage to get the work completed?
16. Do your employees work together on projects or do they primarily work alone?
17. How does individual creativity compare to teamwork?
18. When it comes to hiring new employees, particularly early on, how did you hear about them? Did they find you, were they referrals, did they leave competitors?
19. How much influence does management have in the work that employees do on projects?
20. As the owner, have you ever managed projects? If so, how'd that work?
21. How were you able to get the clients that you had today? Did you personally build those relationships or were they referrals?
22. When there are new processes or direction that you would like the firm to gravitate towards, is that led by you and then communicated down through

management to employees or do you motivate everyone at the same time to implement?

23. Have you ever been forced to lay off employees because there was not enough work? If so, did you rehire them once things picked up?
24. Do you give clients that pay more for their services priority? Please explain
25. Can you describe the structure of the firm?
26. Prior to working for this firm, did you have any experience doing what you are tasked with now? Please explain
27. How often do you engage other team members for their opinions when working on a project? How do you interact with them?
28. Do you offer your opinions on ideas/projects that you are not directly involved with? If so, please give an example.
29. When there are disagreements on a creative/strategic direction, how are those issues addressed?
30. Do you feel that each member of your team is committed to projects in the same manner? Please explain.

Appendix C: Interview Protocol Employees

1. For the purpose of this discussion, I am defining performance as meeting goals and deadlines. This includes maintaining and acquiring new clients that will support the business through revenues. In the past year, how do you feel about the agency's performance?
2. Do you feel performance has increased, decreased, or stayed about the same?
3. If there was a change in performance, what do you attribute that change to?
4. How do you feel the agency performs when it comes to working on or enhancing current capabilities and projects?
5. How do you feel the agency performs when it comes to exploring and going after new opportunities?
6. Do you feel the agency goes after new business as it does refining current business opportunities? Which do you feel the agency does more of?
7. Are there certain people on your team that work on existing projects vs new projects? Please explain.
8. How are tasks divided up amongst employees?
9. Are there certain projects or tasks that particular employees own?
10. What happens when these projects or tasks need changes? Does only that person work on them?
11. Do you offer changes and new opportunities to existing clients as to how they may optimize current projects? Please explain.
12. What is your current title within the firm and what are your responsibilities in this position?
13. How long have you been in this position?
14. Have you held any other positions while with this firm? If so, please tell me those positions and responsibilities.
15. What is the title of the person you report to?
16. Prior to working for this firm, did you have any experience doing what you are tasked with now? Please explain
17. Why do you feel you were given this role?
18. Were you recruited for this position or did you apply? What about the position was intriguing to you?
19. If you worked for another marketing firm, what are some similarities/differences in the way work is done with this firm?
20. If you worked for another marketing firm, what are some similarities/differences in the way work is done with this firm?
21. Who hired you for this position?
22. On a daily basis, do you have the same routine or is each day different?
23. If the routine is the same, can you explain your routine?
24. If the routine is somewhat different each day, can you explain why and provide some examples.
25. Do you have time during your day to experiment or try out new ideas that you would like to use on certain campaigns or strategies?
26. How do you know which tasks you should be completing each day?

27. How often do you meet as a team to discuss new ideas?
28. Do you work exclusively on existing clients' work on a daily basis or do you explore new opportunities? Please explain.
29. Have you ever been responsible for creating strategies to recruit new clients? If so, please explain.
30. What is your preference, working on a project that has explicit requirements or working on a project that allows you to have creative control? Please explain
31. When working on new creative/strategies for clients, does management or anyone higher than your role has to approve the creative before it's discussed with the client?
32. How often do you engage other team members for their opinions when working on a project? How do you interact with them?
33. Do you offer your opinions on ideas/projects that you are not directly involved with? If so, please give an example.
34. How do you feel when it involves sharing your ideas with the team? In meetings or brainstorming sessions do you feel you can openly share your ideas?
35. Do you feel that management is open to your ideas? Please explain
36. When there are disagreements on a creative/strategic direction, how are those issues addressed?
37. Have you ever openly or secretly competed against other employees when working on projects?
38. Do you feel that each member of your team is committed to projects in the same manner? Please explain.
39. Do you feel that your team members, including management have confidence in your ability to complete work that the client wants? Please explain

Appendix D: Engaged Scholarship Research Design

Component	Definition	Specification
Journal	Target Journal	Journal of Marketing
Title	Title of Paper	Infusing Contextual Ambidexterity into Small Owner-Managed Service Firms
P	Problem setting representing people's concerns	Small owner-managed service firms operate differently than larger firms. Although it is known that ambidexterity helps organizations have better performance, small owner-managed firms typically don't have the resources and capabilities to adopt the behaviors necessary to obtain ambidexterity.
A	Area of concern representing some body of knowledge with the literature that relates to P	Adoption of ambidextrous behaviors in small owner-managed service firms to increase performance.
F	The conceptual framing	F_A: Exploitation and Exploration in Organizational Learning, March 1991 F_A: Ambidextrous Organizations, O'Reilly and Tushman, 2013 F_A: Performance Management and Social Support, Birkinshaw and Gibson 2004
M	Adopted method of empirical inquiry	Qualitative single case study adopting a critical realist approach to studying exploitation and exploration simultaneously in a small firm
RQ	Research question relates to P, opens for research into A	How can small owner-managed firms become contextually ambidextrous to improve performance?
C	Contributions to P, A, F, and M	C_P: Guidance on how owner-managers can create opportunities for their organization to develop ambidextrous behaviors. C_F: Contextual Ambidexterity in small organizations

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