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Theme: Public Sector, Innovation and Reform

Further Reading:

Bedford, D., Bisbe, J. & Sweeney, B. (2018) Performance measurement systems as generators of cognitive conflict in ambidextrous firms.

Accounting, Organizations & Society.

<https://doi.org/10.1016/j.aos.2018.05.010>

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Organisational Ambidexterity

Ambidexterity in general refers to the ability to do two things equally well (e.g. use of right and left hands) and organisational ambidexterity refers to the simultaneous ability to exploit existing capabilities and explore new capabilities. This is seen as paving the way for introducing both radical and incremental innovations in the marketplace. For many firms, both radical and incremental innovations are needed and it is not an 'either/or' choice. Exploration of new knowledge is needed to generate radical new ideas and those ideas then need to be exploited to produce short-term profits through incremental variations on the original idea. However, not all firms that attempt to be ambidextrous are successful and simultaneously engaging in both forms of innovation is not easily achieved. Indeed, it is considered one of the toughest managerial challenges. The two forms of innovation compete for scarce resources and managers are naturally inclined to make decisions that favour less risky shorter-term incremental innovations over radical innovations. The result is that blue skies type thinking frequently gets crowded out.

Research Findings

This study examined how firms can achieve ambidexterity. Based on survey responses of 90 senior managers in innovative industries in Ireland, we found that task conflict was associated with ambidexterity. Task conflict refers to differences of opinion about work-related issues. We found an important role for key performance indicators (KPIs) in generating task conflict. Many KPIs commonly used to manage innovation (e.g., return on investment, number of new products launched, time-to-market, patent filings) tend to favour an emphasis on incremental innovations at the expense of radical innovation efforts. For example, emphasising the number of new products launched is likely to incentivise many small product improvements. Radical innovation projects can fail because of the emphasis of KPIs on efficiency, outputs and near-term gains, whereas KPIs suitable for radical innovation should be oriented towards inputs devoted to radical initiatives and long-term prospects (e.g. headcount/financial resources devoted to radical innovation projects; number of patents for radical innovation projects; portfolio analysis by risk. Findings from this study point to the importance of a balanced set of KPIs combined with face to face opportunities to debate the metrics in generating task conflict.

Policy implications

Findings from the study suggest that to enable ambidexterity, management need to:

- Use a balanced set of KPIs to make visible radical innovation efforts
- Create opportunities for debate and discussion of those KPIs
- Encourage managers to openly express differences of opinion.

These actions are important to discourage managers from making 'either/or' decisions on radical and incremental innovations. By using KPIs in this way, tensions between the two types of innovation are made salient and this tension can be productively used by management to arrive at higher quality decisions.