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Solving the Paradox of Exploitation and Exploration

Leveraging Organizational Levels to Achieve Ambidexterity

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Preface

This master thesis concludes the authors' Master of Science degree in Industrial Economics and Technology Management at the Norwegian University of Science and Technology (NTNU) in Trondheim. This written work is the final report in the course TIØ4945 Innovation and Entrepreneurship, Master Thesis.

The main components of this study are the theoretical findings from a literature review conducted fall 2011, and the empirical material gathered spring 2012. The empirical data is collected through a single case study on Finn, where both Finn itself and subsidiaries were considered.

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Abstract

The objective of the current thesis is to contract the gap previous literature has left around the issue of deploying multiple modes of balancing the exploitation/exploration paradox simultaneously, and help mature corporations maximize profit by leveraging organizational levels to achieve ambidexterity.

For the theoretical part, snowballing is the primary research method. An article by March (1991) served as the starting point, and further theory was found by identifying articles where that particular work had been cited. For the empirical part, an embedded case study on Finn.no through interviews is the primary research method.

A total of three frameworks have been constructed to understand, structure and solve the paradox on multiple levels. The Pathway Framework suggests that exploitation and exploration are two explicit pathways to profit, the Ambidexterity Framework is a way of structuring the internal and external modes for balancing the paradox and the Hierarchical Ambidexterity Framework links these balancing modes directly to the locus of implementation and decomposes the strategies into a structure of four organizational levels.

Several balancing modes from the Ambidexterity Framework have been recognized in Finn, including contextual ambidexterity, structural ambidexterity, punctuated equilibrium, and domain separation. The efforts flow according to the Hierarchical Ambidexterity Framework, at the individual, business, corporate and network levels of strategy, respectively. Thus, Finn has solved the paradox of exploitation and exploration operates ambidextrously. Further, and most important for this thesis—Finn have even succeeded in balancing exploitative and exploratory ideas on multiple organizational levels simultaneously.

Sammendrag

Hensikten med denne oppgaven er å fylle gapet tidligere litteratur har etterlatt rundt bedrifters mulighet til å anvende flere modus for å balansere paradokset mellom disiplin og utforsking samtidig. Oppgaven vil forsøke å hjelpe etablerte bedrifter å maksimere profitt, ved å utnytte organisasjonens ulike nivåer for å oppnå ambidexterity.

Snowballing er den primære forskningsmetoden for den teoretiske delen. En artikkel av March (1991) var utgangspunktet, og ytterligere teori ble funnet ved å identifisere artikler hvor dette arbeidet var sitert. Case-analyse av nettstedet Finn.no gjennom intervjuer er den primære forskningsmetoden for den empiriske delen.

Totalt er det i oppgaven konstruert tre rammeverk for å forstå, strukturere og løse paradokset på flere nivåer i organisasjonen. Pathway-rammeverket foreslår at disiplin og utforsking er to eksplisitte veier til profitt, Ambidexterity-rammeverket er en måte å strukturere interne og eksterne moduser for å balansere paradokset og det Hierarkiske Ambidexterity-rammeverket kobler disse balansemodusene direkte til punktet i organisasjonen hvor den tilhørende strategien implementeres, og dekomponerer strategiene inn i en struktur på fire organisasjonelle nivåer.

Flere balansemodus fra Ambidexterity-rammeverket har blitt identifisert hos Finn, inkludert kontekstuell ambidexterity, strukturell ambidexterity, avbrutt likevekt og domeneseparasjon. Tiltakene implementeres på strategiske nivåer i samsvar med det Hierarkiske Ambidexterity-rammeverket, på henholdsvis individuelt nivå, forretningsenhetsnivå, konsernnivå og nettverksnivå. Følgelig kan det konstateres at Finn har løst paradokset mellom disiplin og utforsking, og mest interessant for denne oppgaven—de har lyktes med å balansere disiplinære og utforskingsmessige tanker på flere organisasjonelle nivåer samtidig.

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Part I

Background & Research Method

1 Academical Background

1.1 Purpose

Companies from all across the world are struggling with the current recessional economy, and many are flushed to take extreme measures trying to restore short-term financial gain and long-term sustainability. The measures are often premature and hasty, with multiple strategies being implemented simultaneously. Innovation and effectiveness are two popular strategic goals frequently encountered in such measures, and corporations will in desperation often try to attain both. However, without ambidextrous capabilities, the result is often mediocre innovation, average effectiveness and total confusion.

Effective production of products and services is a general measure to ensure a total utilization of a firm's available resources. Mature companies are not only competing within its home country's borders, but within a market stretching across the entire globe. The threat from competitors' easy access to cheap labor on other continents has forced Norwegian companies to have a tight control over resource usage. Innovation is another general measure to ensure viability. Norway is built upon knowledge and information, and should possess a considerable pool of resources ready to be utilized in order to drive constructive innovation.

The confusion breaks out when companies fail to acknowledge that it for many cases is neither necessary nor beneficial to excel in both effectiveness and innovation simultaneously, as the two concepts contain fundamentally contradicting ideas, and are challenging to combine. A dairy, forestry or tool factory will be perfectly fine with beating competitors on effectiveness,

while an advertising agency, technology firm or event organizer will survive by delivering customers the best innovation. However, complex corporations may actually be required to manage both strategies simultaneously, but this co-existence will often give rise to managerial tensions.

The key to escape confusion and develop ambidextrous capabilities is to balance the quest for innovation and effectiveness at the appropriate levels in the organization. The challenge of combining the contradicting ideas is easy to mitigate with a senior management team aware of how to allocate the balancing efforts between the individual, business, corporate and network levels of strategy, respectively. At that point, multiple strategies may be implemented simultaneously without confusion.

1.2 The Authors' Contribution

This master thesis will give a twofold contribution to senior management teams for handling the strategic choice between effectiveness and innovation. First, the authors will present a framework to help understand the contradicting ideas involved, and why it is sufficient for many firms to only pursue one of the strategies in order to maximize profit. The framework includes suggestions on how to select the appropriate strategy in a given situation, guidelines on how to implement it, and prospective outcomes of each choice.

Second, the authors will present two additional frameworks for the corporations required to manage both strategies simultaneously, to help management teams develop ambidextrous capabilities by balancing the quest for effectiveness and innovation without confusion. The thesis will include specific modes available to balance the managerial tensions, and a structure for determining which organizational level each particular mode should be applied on.

As of today, ambidexterity is a popular field of study within organizational theory, and many scholars have contributed with theory and empirical observations. However, neither has considered the important distinction

between business, corporate and network level strategy, respectively, as domains for balancing managerial tensions. The authors will seek to contract this gap by providing complete frameworks to help management teams leverage organizational levels when developing ambidextrous organizations. All theoretical contributions has been subject to empirical assessment.

1.3 Scope and Limitations

This thesis will consider exploitation, exploration and ambidexterity from an organizational perspective. The scope of the research coincides with the boundaries of the case company, its spin-offs and their current operating environment. The information in this thesis is gathered and analyzed by the two authors to avoid biases. The data is limited to one case company, but nine embedded units of analysis were constructed within the company.

1.4 Introduction

An essential part of classic organizational theory is discipline and control. A central field of study within this theory is the level of discipline exerted in organizations, and what implications this level may have on profitability. The ongoing debate was initiated by James March in 1991, where this theory was conceptualized by presenting two extreme points of discipline, namely exploitation and exploration. (March, 1991) Exploitation is to make use of current organizational competencies, reduce risk, increase production efficiency, and evolve products according to market demand. Exploration, on the other hand, is to experiment with new solutions, recognize new opportunities, and the quest for blue oceans. March (1991) presents these concepts as two fundamentally contradicting and mutually opposing organizational strategies. Excess exploitation in a company will limit the number of exploratory projects, and thereby reduce the chance that one of these projects will evolve into a market success. On the other hand, excess exploration will limit the establishment and consolidation of core capabilities

within the organization, and prevent the projects from being developed to the point of sustained competitive advantage. (March, 1991)

A significant part of the literature supports this model of organizational discipline, and certain scholars expand on this notion, and carry out quantitative studies in order to examine the relationship between exploitation and exploration. Many of these studies have aimed to investigate what the optimal amount of each may be, and entire articles have been devoted to determine the exact location of this point. (Nohria and Gulati, 1997) Recently, a shift in opinion has been observed, where a growing consensus now agrees that exploitation and exploration should be combined, and that true competitive advantage arises from developing ambidextrous organizations, by simultaneously capturing the best of the two extremes.

1.5 The Current Thesis

The main purpose of this master thesis will be to help senior management teams in mature corporations to maximize profit by distributing ambidextrous efforts more deliberately at different levels in the organization. The thesis will suggest that multiple modes of balancing the paradox of exploitation and exploration may be deployed simultaneously when the firm is aware of such distribution of efforts.

Part I contains academical, theoretical and empirical background, respectively, in addition to research method and introduction. The theoretical background section provides brief presentations of exploitation and exploration as separate organizational strategies. A discussion of their formal scope, relevance in organizational theory and varieties between different scholars' perception of them are also included. Further, positive and negative effects of both strategies have been considered, in addition to guidelines for implementation of the two strategies, respectively. The empirical background section contains brief summaries of the interviews, with background of each interviewee, their general approach to the paradox, other main points, and relevance to this thesis.

Part II presents the core concepts of the exploitation/exploration paradox, accompanied by the consensus of the current literature and its approach to the issue. A new framework will be suggested, to provide a better understanding of the nature of the paradox by breaking it down to four explicit levels. These levels represent distinct steps in two different approaches to organizational profit—exploitation and exploration. The framework is subsequently tested empirically with information gathered from Finn. Exploitation and exploration are still handled as separate concepts.

Part III suggests that the two extreme points of exploitation and exploration may not be a contradiction after all, and that organizations rather should balance the opposing forces to excel at applying both strategies simultaneously, and thus attain ambidexterity. Several modes of balancing the paradox will be presented, structured in two new frameworks suggested in this part. Finally, the part is concluded with a merger of the frameworks from Part II and Part III to suggest how multiple balancing modes may be implemented simultaneously to maximize profit.

Finally, a formal conclusion is drawn and suggestions for further research are included in Part IV

2 Theoretical Background

2.1 Definitions

2.1.1 Innovation

Innovation is an extensively used concept in business, yet a very challenging one to establish a crisp definition of. The broadest definitions start by simply stating that innovation is any kind of invention, improvement, idea or project that the manager perceives to be new. (Chen and Taylor, 2009) Other definitions declare that innovation is the commercialization of such projects. (Van de Ven, 1986, cited in Chen and Taylor, 2009)

Common for most definitions of innovation is the element of uncertainty

that lies with the concept of innovation by nature. (Nohria and Gulati, 1997) Thus, determining the net present value of an innovation project will be very difficult in the early phase.

Categories of Innovation A commonly accepted idea across the entire literature is that innovation can be separated into two different categories, depending on the height of the innovation in question—continuous and discontinuous.

Continuous innovation is also referred to as exploitative innovation, and is mainly concerned with the improvement of existing products, by leveraging current knowledge. Activities based on exploitative innovation value effectiveness, focus and convergent thinking. The prospective technology development is considered an extrapolation of the current trajectory rather than new inventions. Another notation for this category is incremental innovation. (Christiansen, 1997; Dosi, 1982, cited in Smith and Tushman, 2005)

Discontinuous innovation is also called exploratory innovation, with the intention of launching new inventions and solutions, by entering new markets or new domains. Exploratory innovation activities value experimentation, flexibility and divergent thinking. The prospective technology development is shifted from the current to a new trajectory. Another notation for this category is radical innovation. (Taylor and Greve, 2006, cited in Gupta et al., 2006)

Some scholars take this framework one step further, by adding architectural innovation as a third category, in addition to continuous and discontinuous. (Henderson and Clark, 1990, cited in Smith and Tushman, 2005) Architectural innovation is thought of as the midpoint between the two extremes. To be categorized in the architectural class, the innovation is required to make fundamental changes to existing products or services, and set a new aim for competition in the entire industry. The difference between architectural and discontinuous innovation still remains clear—

while architectural innovation makes fundamental changes to the current technology, discontinuous innovation introduces a completely new technology, that deems the current one obsolete. (Chen and Taylor, 2009) The proponents of this view also extend the theory with one more dimension, namely the target market of the innovation in question. Three categories are defined on this dimension as well: current customers, new customers in defined markets and customers in emerging markets. Altogether, this adds up to a 3-by-3 innovation matrix. (Smith and Tushman, 2005)

Other scholars use yet another framework, with the introduction of a fourth category—niche creation. (Abernathy Kim and William, 1985, cited in Chen and Taylor, 2009) Niche creation involves identifying emerging needs within a market niche, not currently solved satisfactory. (Chen and Taylor, 2009) Still, a mutual property that remains for all categories is the element of uncertainty involved with innovation.

2.1.2 Effectiveness

Improved effectiveness is claimed to be the desired outcome in the applied fields of organizational development and organizational design. (Quinn and Rohrbaugh, 1983) Researchers try to explain what makes some firms excellent, of high quality, productivity, efficient, healthy, or possessing vitality—all proxies for the concept of organizational effectiveness. (Cameron, 1986) The concept of organizational effectiveness, also called organizational "success" or organizational "worth", generally refers to goal-attainment. Traditionally, effectiveness has been viewed mainly in the terms of productivity. (Georgopoulos and Tannenbaum, 1957) Proponents of this view has argued that the criteria of organizational success are productivity, net profit, the extent of which the organization accomplishes its stated objectives, and the success of maintaining its size or expanding it. (Thorndike, 1949, cited in Georgopoulos and Tannenbaum, 1957)

Several scholars have attempted to identify typical effectiveness attributes. Early studies (e.g. Taylor (1911)), described these attributes as

production maximization, cost minimization, technical excellence, optimal utilization of resources, and task specialization. Henri (1916) argued that the attributes are division of work, clear authority and discipline, unity of command and direction, order, equity, stability, and initiative. Mayo and Thompson (2003) defined effectiveness attributes as productivity through employee satisfaction, satisfaction through attention to workers' physical and emotional needs. (Lewin and Minton, 1986)

Sloan (1964) described effectiveness attributes as efficiency through economy of scale, divisional return on investment, attainment of objectives; Townsend (1970) as profitability, staff accessibility, simple structure, simple rules, lack of meaningless (non-productive) "peaks"; and Peters and Waterman (1982) as bias for action, closeness to the customer, autonomy and entrepreneurship, hands-on, value-driven philosophy, stick to the knitting, simple form, lean staff, simultaneous loose-tight property. (Lewin and Minton, 1986)

Georgopoulos and Tannenbaum (1957) define organizational effectiveness as the extent of which the organization, as a social system given certain resources and means, fulfills its objectives without incapacitating its means and resources and without placing undue strains upon its members.

Effectiveness is often be confused with another performance indicator, namely efficiency. Efficiency refers to an input-output ratio or comparison, whereas effectiveness refers to an absolute level of either input acquisition or outcome attainment. (Goodman and Pennings, 1977, cited in Ostroff and Schmitt, 1993)

2.2 Exploitation

2.2.1 Definition

The Scope Exploitation can be regarded as one of the two extremes in the paradox of organizational resource allocation, and includes such things as refinement, choice, production, selection, implementation and execution.

(March, 1991) The mindset is characterized by focus, convergent thinking, and reduction of variance. (Smith and Tushman, 2005) At this extreme, organizations following an exploitation strategy will engage in production activities to the exclusion of experimentation and execution to the exclusion of risk taking.

Their main objectives will be to continuously improve current products, eliminate waste and ensure a highly efficient resource usage, through flat organization structures, teamwork, and co-operative supply chain management. (Green, 1999) The organizations will value efficiency over flexibility and seek the refinement of current processes rather than engaging in the search for new ones. (March, 1991)

Literature Consensus Exploitative organizations are often conceptualized as profit-making machines where success depends only upon efficiency and the needs of the customer. (Green, 1999) Many different views exist about exploitative strategy and its impact on organizations' capacity to succeed with innovation. However, there seems to be a certain convergence in the literature that an exploitative strategy limits the development to improvement of existing products by incremental innovation rather than radical. (Andriopoulos and Lewis, 2009) The convergent thinking of these organizations excludes all risky and uncertain development projects as sources for incremental product innovation. Instead, the focus is shifted to utilize current knowledge and harness current capabilities in order to reduce variance. (Atuahene-Gima, 2005)

Extreme Exploitation: Lean A common comprehension in the literature is the connection between exploitative strategy and the philosophy of lean, where lean production may be regarded as the extreme point of exploitative strategy. The idea evolved in the 1950s, and includes principles such as quality management and just-in-time production. (Chen and Taylor, 2009)

The core concept of lean thinking consists of three parts: (1) continuously improve the total flow of a production system, (2) ensure that all functions,

activities and processes within the organization are in fact value-adding, and (3) eliminate all types of waste[1]. (Hopp and Spearman, 2008, cited in Chen and Taylor, 2009)

Lean thinking is controversial, and critics pose a question about which organizational level the extent of value-adding in the different activities should be assessed. They argue that lean production will remove any kind of activities that do not add value to the current customers, and thereby remove all activities that could possibly generate ideas at the same time. (Chen and Taylor, 2009)

Extreme Lean: Six Sigma While lean may be regarded as the extreme version of exploitation, Six Sigma is a strategy that may be regarded as the extreme version of lean. It is a production concept that requires 99.99966% of the products manufactured to be free from defects. Six Sigma has a clear role in some pure production companies, but excessive adherence to it will kill innovation; people will never deviate from the standard, and the companies won't have innovation. (BostonConsultingGroup, 2009)

2.2.2 Positive Impacts

Discipline The convergent thinking that characterizes exploitative production forces the organization focus on perfecting their existing products, increase the effectiveness of the products' production line and remove all wasteful activities. In effect, this will remove all organizational slack, increase the overall production effectiveness and foster a culture of discipline. Without discipline, projects with high risk and negative net present value may be funded simply because agents realize they can afford to develop these "pet projects". (Nohria and Gulati, 1997) Conversely, in organizations with a

[1]Specifically, the literature on lean thinking identifies seven types of waste that should be eliminated in organizations: transport (moving products), inventory (finished products), motion (moving people and equipment), waiting (for next production step), overproduction (ahead of demand), over processing (poor product processing activities) and defects (faulty products). (Womack and Jones, 2003)

culture of slack, promising projects could be abandoned because someone ran out of energy or got bored. (Nohria and Gulati, 1997)

While some parts of the literature argue that slack is requisite for innovation, there are plenty of situations where firms simply need a task performed quickly. A vice president in a 125-employee consumer product company was interviewed in a study investigating this further, and elaborates: "A lot of times clients will come to us when they have a tricky problem and they need the product to get out a lot faster than they have ever done before. So it is important to have a certain degree of discipline". (Andriopoulos and Lewis, 2009)

However, when a company encounters a possibility that potentially could turn into a breakthrough project, a certain amount of slack might be necessary to pursue the chance. In those cases, exploitation is what provides the surplus and profit necessary. (Andriopoulos and Lewis, 2009) The exploitation of current products is what drives the development of knowledge and routines to foster innovations. (Smith and Tushman, 2005)

Develop Core Competencies Exploitation is what really establishes organizational routines and core competencies. Managers and department heads choose to allocate resources in such a way that habitual processes and knowledge are leveraged. (Andriopoulos and Lewis, 2009)

Inhibit Slack Accumulation Discipline is necessary to prevent the accumulation of slack at every organizational level. Some scholars approach the problem by modeling companies as nested agent/principal relationships. (Williamson, 1963, cited in Jensen and Meckling, 1976) At the top level, shareholders are principals and top managers are their agents; at the next level the top managers are the principals and divisional managers are their agents. This structure continues down to the lowest level. According to the classic agent/principal field of study, there is always a risk that agents will act in their own best interest—not necessarily aligned with the principals' or the organization's best interest. (Antle and Fellingham, 1990)

The organization's best interest may be to pool all excess resources and slack at the top level, to distribute where needed or reduce where possible. However, the agents' best interest may be to accumulate enough slack from the level directly beneath, to either give them slack to pursue their own "pet projects", or to leave them with a comfortable amount of slack to handle sick leaves or unexpected periods of decline. The result is piles of slack accumulated at every organizational level, and the right way to align the interests of principals and agents is the elimination of slack and implementation of exploitative strategy. (Nohria and Gulati, 1996)

Examples

Toyota The name of the Japanese auto manufacturer Toyota is often considered to be synonymous with exploitative strategy in the literature. (Chen and Taylor, 2009) Toyota has a reputation of being an innovative company, despite having outsourced all innovation activities to suppliers, partners and other third party companies. Toyota's organizational goals are somewhat self-contradictory, as they aim to minimize costs, maximize specialization and minimize inventory at same time. (Smith and Tushman, 2005) This strategy is important for the organization, to keep all their processes and activities lean without the bad influence from lax departments such as R&D.

Toyota started the implementation of lean in the engine assembly facility, by eliminating waste and developing core production competencies. An outcome of the waste reduction initiatives was that Toyota now was unable to engage in any idea generation activities; since these activities possible could generate ideas with negative net present value, considered as waste. However, the introduction of lean continued, and the next step was to evaluate the present effects, and apply the same strategies in the overall automobile assembly activities. Today, Toyota has implemented lean production in its entire supply chain, and is still one of the world's most innovative companies. (Hines et al., 2004)

Pixar Pixar, the American computer animation film studio, is worth mentioning, as they have devoted a great effort into including exploitation into their business, which by nature require a great amount of creativity and innovation. They have broken down the creative process into smaller parts, with continuous feedback loops, to overcome creative blocks and ensure an idea's success. (BostonConsultingGroup, 2009)

2.2.3 Negative Impacts

Exploitation of Humans Excessive exploitation will affect employees severely in the long run. Critics claim that exploitative organizations' quest for lean production processes will turn the workplace environment into one of control and surveillance. (Green, 1999) Furthermore, a company configured to comply with business objectives such as coordination, productivity and control will unintentionally crush all creativity that could have grown from the workforce. (Chen and Taylor, 2009)

Losing creativity is only the first step. The introduction of further exploitative measures, like standardized systems and monotonous job routines would take away any commitment left with the employees. (Chen and Taylor, 2009) Trapped in this situation, workers will feel like being little screws in a big machine, and they will only perform tasks exactly within the responsibility frame they are given. The workforce loses the passion they need to possibly initiate any actions on their own that somehow could be profitable for the company in the long run. (Andriopoulos and Lewis, 2009)

Even more aggressive exploitation would approach the extreme point of human slavery. In Japan, the birthplace of lean thinking, the industrial work hours are among the toughest in the world. Examples of workers living in company camps hundreds of kilometers from their families give evidence to some of the human consequences of exploitation. (Green, 1999)

Inhibits Innovation A consolidated, strategic imperative from the contemporary literature is that organizations must "innovate or die". (Nohria

and Gulati, 1997) However, the managerial focus in exploitative organizations will be short-term performance rather than long-term experimentation and opportunity recognition. (Nohria and Gulati, 1996)

And a great amount of authors from this field of study argue that excessive exploitation jeopardizes a firm's capacity for renewal, and inhibits an integral driver of innovation—organizational slack. (Nohria and Gulati, 1996) More specific, innovation is inhibited because exploitation discourages any challenging of project constraints, and any experimentation with opportunities where the possible success and net present value is uncertain. (Andriopoulos and Lewis, 2009)

Examples

Polaroid Traditionally, Polaroid has been one the most innovative camera makers, at least in the 20th century. But something went terribly wrong as they tried to exploit the company's core competence within analog photography at the same time as trying to enter the market for digital photography. (Tripsas and Gavetti, 2003, cited in Smith and Tushman, 2005)

The fundamental mistake was the senior management's obsessive commitment to the company's core competencies during the digital revolution. Their new solution was conceptualized as having the same business model as the existing camera and film product, also known as the razor/blade strategy or the Gillette model[2]. (Smith and Tushman, 2005) Polaroid is a typical example of where the right choice would be to cease all exploitation of current knowledge, abandon all current exploitation activities, and adapt to the digital revolution by innovation.

[2] *The Gillette model* is a classic (and quite generic) case of a well-known business revenue model (specifically one component of a business model), which involves pricing razors inexpensively, but aggressively marking up the consumables (razor blades). (Teece, 2010)

2.2.4 Implementing Exploitative Strategy

Fundamental Conditions There are considerable differences between industries when it comes to the extent that organizations are able and suited to adapt to exploitative strategies. When considering the three different sectors of economic activity, the appropriateness for exploitative strategy reduces as the sector in consideration shifts from primary to secondary, and from secondary to tertiary. At the extreme point in the tertiary sector, cultural establishments like theaters, dance shows and movie productions represent businesses where exploitation is inadequate. (Andriopoulos and Lewis, 2009) Producers of homogeneous products like sugar, wooden boards and matches, will however be very well suited for exploitative strategy. Specialization in industries yields increased efficiency, and enables exploitation. (Andriopoulos and Lewis, 2009)

Guidelines for Implementation A series of different approaches may be employed in order to successfully implement exploitative strategy. The first step is to identify what products or processes to be exploited, and then eliminate all waste from these activities. Parts of the literature will again argue that this lean approach will remove any kind of activities slack enough to possibly generate ideas. (Chen and Taylor, 2009) To overcome this problem, organizations may choose to run a separate, non-exploitative R&D department. That way, this development department can experiment with new ideas without influencing the lean production part of the system.

Organizations may choose to outsource their innovation efforts to external companies. That way, they can concentrate on developing core competencies, and escape the risk of faulty innovation that doesn't make it successfully to market. This strategy is most effective in industries where the technology innovation and progress speed is high, such as computer and car industries. (Chen and Taylor, 2009)

Organizations may experience that recently developed and new products not only become really successful, but also contribute to increase demand

for the existing products. An example is a manufacturer of contact lenses, who learnt that the introduction of soft lenses actually increased demand for conventional lenses simultaneously. (Smith and Tushman, 2005) However, in situations where there is no leverage between the existing product and the innovation, the most beneficial solution may be to split out the innovative parts into separate business units or companies. (Smith and Tushman, 2005)

2.3 Exploration

2.3.1 Definition

The Scope Exploration is the other extreme in the paradox of organizational resource allocation, and is regarded as a contradiction to exploitation. March (1991) defines the term exploration to include things that are captured by terms such as search, variation, risk-taking, experimentation, play, flexibility, discovery, and innovation. Exploration is used by organizations to gain new information and thereby improve future returns.

An exploratory organization has a mindset based on experimentation, flexibility, divergent thinking, and increasing variance. (Flynn and Chatman, 2004; Rivkin and Siggelkow, 2003; Van de Ven, 1999, cited in Smith and Tushman, 2005) This is encouraged through variance-increasing activities, learning by doing, and trial and errors. (Smith and Tushman, 2005) Extreme exploration is to continuously seek new opportunities, and give lower priority to the firm's existing operation. (Gupta et al., 2006; March, 1991)

Literature Consensus The exploration strategy is based on the quest for new knowledge and alternatives, to yield innovation. (Vermeulen and Barkema, 2001, cited in Gupta et al., 2006) An organization often uses exploration to achieve radical innovation. (Atuahene-Gima, 2005; Andriopoulos and Lewis, 2009) The result of exploration is often highly uncertain and distant in time, but the benefits when success, are regarded as important for further development of an organization. However, there is a

common agreement that exploration can compromise the firm's effectiveness, since there is a need for organizational slack. (He and Wong, 2004; March, 1991)

Organizational Slack Innovation does not appear out of nothing, it requires supportive organizational activities. It is necessary for an organization to allow for organizational slack in order to innovate (Henderson and Clark, 1990), since it supports experimentation and change. (Cyert and March, 1992, cited in Geiger and Makri, 2006) The term *organizational slack* is defined in the literature in different ways. Slack is sometimes defined as an asset that acts as a buffer for unforeseen uncertainties. (March, 1976, 1981, cited in Nohria and Gulati, 1997) Slack resources allow organizations to adapt to environmental change. (McGrath, 2001) This buffer can contribute to create an innovative organization culture, where the members do not worry about risk and failure. (Nohria and Gulati, 1997; Bourgeois III, 1981; Herold et al., 2006) In addition, since slack resources are not committed to an explicit expenditure, they may be utilized and redeployed to achieve organizational goals and innovation. (George, 2005; Dimick and Murray, 1978, cited in Geiger and Makri, 2006)

Organizational slack also contributes to ease managerial control. (Geiger and Makri, 2006) The ease of control may lead managers to pursue new projects and allows for experimentation. Slack resources play a crucial role in resolving latent goal conflicts and preventing organizations from breaking apart. (Cyert and March, 1992; Nohria and Gulati, 1997)

The literature has also defined organizational slack as negative for an organization. Neoclassical economy defines organizational slack as zero. Slack only appears when the firm is not in equilibrium and should be minimized. (Sharfman et al., 1988, cited in Cyert and March, 1992) Slack is often associated with waste, and allows for organizations to operate ineffectively, without meeting the full potential of the available resources. (Nohria and Gulati, 1997; Comanor and Leibenstein, 1969) The use of slack

could result in bad managerial decisions, which lead the organization to invest in dubious innovation projects or execute unrealistic acquisitions. (Jensen, 1986, cited in Nohria and Gulati, 1997) This view is tightly connected to lean thinking and effectiveness optimizing.

Agency-principal theory also holds a negative understanding of slack resources. It proposes that slack resources are used to maximize an agent's personal interest, and could lead to a decrease in innovation and experimentation. Accumulation of slack will allow the agents to pursue their own goal, and not act in the best interest of the organization. (Antle and Fellingham, 1990; Jensen and Meckling, 1976; Nohria and Gulati, 1996)

Further, Nohria and Gulati (1996) have proposed an inverted u-curve relationship between organizational slack and innovation. They agree that slack is important for innovation, but recommends maintaining a certain amount of slack in order to be effective. In other words, too much and too little slack inhibit the organizations' ability to innovate.

2.3.2 Positive Impacts

Long-term Viability Organizations explore in order to seek new innovation and knowledge. A firm that only utilizes existing capabilities and competences may run the risk of achieving short-term success at the expense of long-term viability. Long-term viability can be secured by investing in exploration of new opportunities. (Atuahene-Gima, 2005) This success depends on the organization's ability to adapt and change through innovation. (Brown and Eisenhardt, 1997; Tushman and O'Reilly III, 2006) The search for new knowledge leads to new capabilities that can generate radical product innovation. (Atuahene-Gima, 2005) Even though radical innovation often is associated with higher risk, the possible return on investment is regarded higher than for incremental innovation.

Innovation can give organizations access to new markets, and increase customer awareness, not only for new products, but also for existing ones. (Leonard-Barton, 1992; Gibson and Birkinshaw, 2004b) Furthermore, it

allows for organizations to stay ahead of their competitors. Organizations that are too focused on improving their existing competencies and products run the risk of being outdistanced by more innovative firms. The organization will lack the novel skills and knowledge to generate new insights on product development. This could incur severe costs for an organization. (March, 1991)

Managing Environmental Uncertainties Environmental uncertainties are regarded as a threat for most organizations. Innovation and new knowledge acquired through exploration can help organizations overcome this threat. Organizations with superior abilities to manage exploration are more likely to discover and adapt to environmental changes. Adoption occurs through exploration due to its variance-increasing effects. When the rate of environmental uncertainty increases, the importance of exploration increases. Organizations that manage adaption will be able to gain superior advantages compared to its competitors. Adaptability becomes increasingly important when the competitive landscape intensifies. The succeeding organizations will pursue variance-seeking activities instead of exploiting current capabilities. New knowledge and routines can arise from these variance-seeking activities, and result in adaption advantages. (McGrath, 2001)

Examples

Seiko The mechanical watch company Seiko was, in the 1960s, a dominant player in the Japanese market, but was a minor player in global markets. To reach new markets, Seiko made a bold move, and started to explore new technologies. Seiko pursued every opportunity and transformed itself from being merely a mechanical watch firm into being both a quartz and mechanical watch company. This transformation resulted in Seiko and other Japanese firms gaining larger market share, and the Swiss watch industry suffering drastically. By 1980, Seiko was twice the size of the largest Swiss watch firm. (Tushman and O'Reilly III, 2006)

Pfizer Pfizer, the American multinational pharmaceutical corporation, developed Viagra for its cardiovascular applications, but Viagra's additional applications have by far outpaced the original intentions. (Rosenkopf and Nerkar, 2001) Pfizer's ability to explore and go beyond local search, secured one of their biggest success in company history.

2.3.3 Negative Impacts

Lack of Effectiveness One of the most debated downsides of exploration is that it can lead to decreased effectiveness. Seeking new opportunities can reduce the speed of the organization's existing operation. (March, 1991) Comanor and Leibenstein (1969) introduce the term X-inefficiency, and argue that exploration creates a gap between an organization's actual output and the maximum output they may achieve. This output gap represents the loss an organization experiences by operating inefficiently. Furthermore, exploration can lead to "too many underdeveloped ideas" (March, 1991), which translates to organization members spending their time on ideas that by the end of the day are not realized.

Failure Trap Exploration of new alternatives that are uncertain and distant in time, are often negative. Exploratory organizations often react to failure with search for more new ideas. The firm therefore moves from one opportunity to the next without exploiting prior learning and experience. (Levinthal et al., 1993) This continuous search for new opportunities can create a "failure trap" (Gupta et al., 2006), where the organization will suffer the cost of experimentation with new ideas without gaining many of its benefits. (March, 1991) The failure in the new field do not compensate for loss in existing business. (Mitchell and Singh, 1993, cited in He and Wong, 2004)

Ignore Core Competencies Failed exploratory efforts may destroy successful organizational routines. (Mitchell and Singh, 1993, cited in He

and Wong, 2004) When focusing on exploration, organization seeks new competencies in order to innovate. The core competencies can be ignored in search for radical innovations. (Gupta et al., 2006) "Exploration can, in the worst case scenario, lead to too little distinctive competence" (March, 1991), resulting in organizations without real core capabilities. It has been argued that exploration can inhibit optimal use of resources, which leads to organizations not meeting their full potential.

Radical innovations may create new market opportunities, but they could also damage customer demands in the existing market, and cannibalize or be in direct competition with existing products. (Smith and Tushman, 2005)

Examples

Ericsson The Swedish mobile phone company Ericsson, led the technological development of the mobile telecom industry. Ericsson developed one of the first analogue mobile systems; it led the industry-wide development of the global system for mobile communication; and it has pioneered general packet radio system and third-generation mobile technology standards. But the impressive sales growth in Ericsson's system business masked a high-cost and bloated organizational structure. At its peak, the R&D organization employed 30,000 people in approximately 100 technology centers with considerable duplication of effort. Exploitation had eventually become predominant, and the subsequent crash in the telecom industry meant that Ericsson was hit harder than most. Since its peak in 2000, Ericsson has laid off around 60,000 employees and closed most of its technology centers in a bid to restore the profitability of its current business. This example shows that too much attention on the exploration means building tomorrow's business at the expense of today's. (Birkinshaw and Gibson, 2004)

2.3.4 Implementing Exploratory Strategy

Fundamental Conditions Similar to exploitation, exploration is more feasible in some industries than others. The industry and product portfolio

affects an organization's ability to adapt to exploratory strategies. In contrast to exploration will the appropriateness for exploratory strategies increase as the sector shifts from primary to secondary, and from secondary to tertiary. An organization with a heterogeneous product portfolio will have the highest advantage of exploration.

Guidelines for Implementation Exploration is associated with organic structure, loosely coupled systems, autonomy, improvisation, chaos and emerging markets and technologies. (He and Wong, 2004) In addition, decentralization is a key word when organizing an exploratory organization. (Siggelkow and Rivkin, 2006)

Organic structures represent fluid job descriptions, loose organization charts, high degree of communication and few rules. These conditions may promote innovation because the organization members have few constrains, allowing them to change flexibly and create new ideas. (Brown and Eisenhardt, 1997) Loose coupling denotes possibilities and freedom, and contribute to facilitate organization members to probe opportunities and continuous experimentation. (Andriopoulos and Lewis, 2009) Decentralization gives low-level managers autonomy to explore (Siggelkow and Rivkin, 2006), and decentralized firms are often characterized as flexible, which allow them to adapt quickly to changes. (Mintzberg, 1979; Child, 1984, cited in Siggelkow and Rivkin, 2006)

The managerial influence on an organization is often characterized in term of two forms of oversight: (1) performance goal and (2) supervision. For an exploratory organization, high level of goal autonomy and supervision activities with high variance is desirable. (McGrath, 2001)

2.4 Summary of Section 2

O'Reilly and Tushman (2004) have proposed a framework for the juxtaposition of exploitation and exploration, as shown in Table 1. As this table indicates, the two require very different strategies, structures, processes,

and cultures.

As mentioned, several scholars have proposed that exploitation and exploration make up a paradox within an organization. They also argued that the solution of this paradox is ambidexterity, by balancing the opposing forces of the two extreme points. A more thorough theoretical and empirical description of the paradox is found in Part II, and a theoretical introduction of ambidexterity is found in Part III.

	Exploitative Business	Exploratory Business
Strategic intent	Cost, profit	Innovation, growth
Critical tasks	Operation, effectiveness, incremental innovation	Adaptability, new products, breakthrough innovations
Competencies	Operational	Entrepreneurial
Structure	Formal, mechanistic	Adaptive, loose
Controls, rewards	Margins, productivity	Milestones, growth
Culture	Effectiveness, low risk, quality, customer	Risk taking, speed, flexibility, experimental
Leadership role	Authoritative, top down	Visionary, involved

Table 1: Juxtaposition of Exploitation and Exploration

3 Research Method

Several different strategies are available for researchers when examining organizational theory issues, such as experiments, surveys, archival analyses, history and case studies. (Yin, 2009) The empirical part of this master thesis is conducted through the case study method. Yin (2009) has identified this approach as the appropriate research method when (1) "how" or "why" questions are being posed, (2) the researcher has little control over events, and (3) the focus is on contemporary phenomena within real-life contexts. It is also often preferred when considering organization-related phenomena, because it allows the researcher to retain holistic and meaningful characteristics of real-life events.

3.1 Research Design

3.1.1 Research Question

This master thesis is a continuation of the authors' literature study concluded December 2011, on the managerial paradox of exploitation and exploration. The field of general ambidexterity research has been appropriately covered by the literature, and a multitude of different strategies for balancing the exploitation/exploration paradox has been suggested. However, the literature study revealed that few scholars have considered companies deploying multiple such strategies simultaneously. Also, very little work has been published on deliberately distributing these balancing efforts across different organizational levels. During the literature study, the authors composed the following research question for further investigation:

How can mature corporations maximize profit, by leveraging organizational levels to deploy multiple ambidexterity modes simultaneously?

Due to the vast comprehensiveness of this research question, the issue has been broken down into problem statements of more manageable proportions.

Three objectives have been formulated, and they will function as a recipe for conducting this study. The objectives of this master thesis are to:

A) Provide an understanding of the exploitative and exploratory organizational strategies, respectively.

B) Provide an understanding of why these strategies traditionally have been considered two mutually exclusive extreme points of a paradox.

C) Provide an understanding of how mature organizations can solve the paradox to achieve ambidexterity.

Objective A and B is handled in Part I and II, where Part I gives a theoretical introduction, and Part II supplements with additional theory and empirical assessments. Objective C will be handled in Part III, where both theoretical and empirical analyses are conducted.

3.1.2 Research Proposition

The literature study fall 2011 was an exploratory study (Yin, 2009), where a large amount of information provided from about 144 different articles was analyzed. Subsequently, the information was organized and logical consistencies between related theories were predicted, leading to two new frameworks to structure the paradox of exploitation and exploration. The current thesis, on the other hand, may be categorized as an explanatory study. (Yin, 2009) The thesis aims to investigate theory developed in the literature study using a deductive approach. This theory had previously been developed analytical conceptually, where a researcher adds new insight into traditional problems through logical relationship building. (Wacker, 1998) The deductive approach requires the researcher to identify a set of propositions based on existing theories and examines them empirically. Seven propositions are therefore suggested for further investigation:

H1: Exploitation and exploration are two distinct pathways to profit

H2: Exploitation yields high effectiveness and low innovation rate

H3: Exploration yields high innovation rate and low effectiveness

H4: The two pathways represent extreme points of a managerial paradox

H5: The paradox can be balanced to combine exploitation and exploration

H6: The balance can be applied at different levels in the organization simultaneously

H7: Solving the paradox redound to ambidexterity

Proposition H1 has evolved from scholars' extensive investigation of exploitation and exploration presented in the theoretical background of this thesis. H1 will be investigated theoretically in Section 5 and empirically in Section 6.

The background for propositions H2, H3 and H4 is the Pathway Framework developed in Section 5. H2 and H3 will be empirically assessed in Sections 6.1 through 6.3, and H3 will be evaluated in Section 6.

Proposition H5 has evolved from studies on how organizations can manage both exploitation and exploration and solve the paradox. This proposition will be examined theoretically in Section 9, and empirically in Section 10.

The theoretical assessment in Section 9 indicates that the different strategies for balancing the exploitation/exploration paradox can be applied at different levels in an organization, which give rise to proposition H6. Section 11 will provide a thorough, empirical examination of this proposition.

The Ambidexterity Framework and the theoretical evidence produced in Section 9, considering various ambidexterity strategies, lay the foundation for proposition H7. Sections 10 and 12 will provide an empirical investigation of this proposition.

3.1.3 Unit of Analysis

The case study method requires the researcher to identify a unit of analysis related to the fundamental problem of defining the case itself and the

environment in which the research is conducted. (Yin, 2009) The research question in this thesis comprises the organization Finn and spin-off companies originated from Finn, such as Penger.no.

Finn.no Finn.no AS is Norway's biggest online classifieds website, and was established in March 2000. Finn specializes in classifieds advertising and services for purchases and sales between private individuals as well as small and large enterprises. Finn's shareholders are Schibsted ASA (90%) and Polaris Media (10%). The CEO is Christian Printzell Halvorsen and the chairman of the board is Didrik Munch. The market verticals are structured as individual private limited companies, and include:

Bil (Auto) Focus on trading of auto related products, such as cars, caravans, trucks etc. Part of Finn's original portfolio established in 2000. 100% owned by Finn.

Eiendom (Real Estate) Specializes on sales and rentals of real estate. Part of Finn's original portfolio established in 2000. Eiendom is owned by Finn (87.38%), DnB Nor Eiendom AS (7.55%), Obos (3.78%), M2 Eiendomsmegling AS (0.60%), Øst Prosjekt AS (0.54%), and Eiendomsmegleren Ringerike Hadeland AS (0.15%).

Jobb (Recruitment) Core activities are related to announcement of part-time and full time work positions. Part of Finn's original portfolio established in 2000. 100% owned by Finn.

Torget (Marketplace) A marketplace for trading of commodities and consumer products, such as antiques, arts, electronics, household appliances, clothing etc. Established as a separate department in 2007, but has been part of Finn.no since the beginning. 100% owned by Finn.

Reise (Travel) Specializes on travel related services, such as airplane tickets, hotels, holiday houses, rentals, package travels, last minute

flights, travel suggestions and rental cars. Established in 2004. 100% owned by Finn.

Oppdrag (Trades and Services) Specializes on trades and services from craftsmen firms, cleaning firms and moving firms, and liking the offers to consumers with matching needs. Established in 2005 and is Finn's youngest vertical. 100% owned by Finn.

Finn is currently the market leader in the verticals Bil, Eiendom, Jobb and Torget. Relevant support functions include:

Finn Way of Innovation Responsible for innovation and continuous improvement efforts. Three employees are working in this department—two responsible for continuous improvement and one for innovation. They have developed a program of seven principles for continuous improvement to guide market verticals and support departments in becoming more effective and understanding cause and effect of actions. They are in the process of developing a similar program for innovation, supposed to be a recipe for capturing, developing and commercializing new ideas.

Platform and Architecture Responsible for the core technology, classifieds advertising technology and search technology. The unit comprises four architects—two application architects, one search architect, one database architect. Together, these areas of responsibility make up the platform similar for every vertical, except Oppdrag.

New Markets Established March 2012 with the purpose of identifying, screening and developing new business cases. New Markets will employ business developers and concept developers, as part of Finn's innovation and expansion strategy.

Finn has 320 employees, whereas approximately 34% are sales staff, 45% are programmers and product developers and 21% are responsible for

administrative tasks and support functions like HR, marketing and financial. Finn was awarded the best place to work in Norway in the Great Place to Work Institute's annual workplace environment survey. In addition, Finn was the first runner-up in a survey done by Norstat, where 9000 Norwegians were asked about their satisfaction of 192 different companies.

In addition to the subsidiaries, Finn has several support functions such as Cooperation Customer Sales Department, Platform and Architecture and Finn Way of Innovation. Finn Way of Innovation is a separate department responsible for effectiveness and innovation efforts. At the moment, the effectiveness improvement efforts through lean thinking are given highest priority, but they are in the process of developing a fixed recipe for innovation. In addition, several arrangements are designed for promoting innovation, e.g. Finnopp and Finnovasjon.

Penger Penger.no AS is a spin-off company established July 2011 by Christian Haneborg. Penger is owned by Finn (70%) and Dine Penger (30%), and is therefore a part of Schibsted Media Group. Penger's ambition is to develop an Internet site that comprises every aspect of the Norwegian's personal economy. Penger has currently developed a service for home loan, and the plan is to expand this to cover other types of financial services.

3.1.4 Context

To fully understand the units of analysis in this thesis, it is important to consider the context. Finn is Norway's biggest website for classifieds, meaning that they operate in a competitive landscape with continuous improvement in technology, and modifications in customer needs. Several niche companies are challenging Finn on some parts of their core activities, forcing Finn to strive towards new offerings and improve existing ones. These efforts are enhanced by the market's aggressive technology development. Finn has experienced an impressive growth since its beginning, which could indicate that the competitive landscape back then was less crowded, allowing

Finn to get a head start and establish the brand.

Finn's revenue model is configured such that the customers not are the users of the website in every situation. The main customer is usually a small, medium or large enterprise advertising their products or services online. The users are mainly regular people, browsing the website for personal matters. Finn's improvement and development must therefore take both users and customers into consideration when starting new projects.

Finn is a part of Schibsted, a Norwegian media conglomerate operating in 20 countries, with main focus on Norway and Sweden. As the largest owner, Schibsted influences Finn through the network of media companies within the corporate umbrella, constantly inspiring, helping and imitating each another. One example is *Schibsted Way of Sales*, an articulated recipe for conducting sales, now being implemented in several of Schibsted's subsidiaries.

3.2 Data Collection

The data collection for this thesis was an intensive process, extending over two months, through multiple sources of information: (1) semi-structured interviews, (2) archival data and documents, and (3) observations. Informant interviews were the primary source of inductive data, although the authors' understanding of the case was expanded through archival data and observations.

3.2.1 Sampling

Eisenhardt (1989) specifies that random selections are neither necessary nor even preferable in studies aiming to build theory from cases. The cases in such studies should be selected on basis of their theoretical usefulness. The goal of theoretical sampling is to choose cases that are likely to replicate or extend the emergent theory. The case company in this master thesis is selected on behalf of central theory from the previous literature study. Four criteria were defined in order to select a suitable company: (1) nationality, (2) maturity of the company, (3) the company's ability to exert lean principles to

attain effectiveness, and (4) the company's ability to employ organizational slack to attain innovation.

The literature review revealed that little or none research have been conducted on Norwegian companies; the main focus has for example been on companies from USA, Switzerland, Denmark and Sweden. (Birkinshaw and Gibson, 2004; Raisch et al., 2009; Smith et al., 2010) Further, Norway is a physically close market in which the authors possess prior knowledge and connections. Thus, conducting a study on how Norwegian companies encounter this paradox and the applicability of its solutions emerged as an obvious choice. The paradox of exploitation and exploration are usually linked to mature companies in earlier studies, making such companies less interesting in the case company selection process. The final requirement was for the case company to have objectives containing elements of operational effectiveness through lean principles and innovation through organizational slack included in their corporate strategy.

The choice of Finn as the research object is based on these four criteria. The deciding reason behind the choice is rather trivial and practical—the authors have already established contacts within Finn and their knowledge of interest in this particular institution. The contact with Finn was initiated fall 2011, and the agreement for the master thesis was concluded in February 2012.

3.2.2 Interviews

A major part of the data collected in this thesis is based on interviews. A total of nine semi-structured interviews were conducted with individuals in different positions at Finn and Penger. Of those nine interviewees, two were women and seven were men. The process of identifying interviewees was conducted in two steps. The first step included using information gathered on the Internet and from key persons at Finn to identify suitable interviewees. To further ensure that the sample included the most knowledgeable informants, step two was done through the snowballing technique. (Streeton

et al., 2004) Every informant was asked to recommend others within the organization that could offer further insight. Every interview except one included both researchers, lasted on average 50 minutes, and were all tape recorded and transcribed verbatim. The transcriptions totaled 62 pages, and were rewritten and transformed into summaries, which are included in Section 4.1.

When arranging the interviews, a telephone conversation was conducted with each of the interviewees. The purpose of this conversation was both to make the arrangements for the meeting and to decide whether the person was operating in a department closest to an exploitative or exploratory mindset. The reason for this is that this case study was conducted with two different case protocols, with questions designed for effectiveness-driven and innovation-driven environments, respectively.

3.2.3 Archival Data

Before conducting the interviews, it was important to gather background information about the case company. The authors analyzed annual reports, relevant articles and web material related to Finn. This information was crucial when designing the case protocol.

3.2.4 Observations

Since all the interviews were conducted at Finn's headquarters in Oslo, the authors were invited to inspect the working environment closely, and details such as the office workplace configuration, ad hoc conversation spots (e.g. the water cooler and reception) and the dining hall.

3.2.5 Academic Literature

The theoretical part of this thesis is primarily based on the article by March (1991). Further research were found through search for articles were this exact paper had been cited or referred to. The reference lists of every

compelling article were used to stumble upon new research, by examining the authors and titles relevant to this thesis. The technique is called snowballing (Streeton et al., 2004), and allows researchers to quickly gather knowledge by moving from one reference list to another. That way, the new literature may in most cases be regarded as credible, by being cited in an article written by an author already considered credible. (Descombe, 2003, cited in Streeton et al., 2004)

In addition, several search terms has been used to identify suitable articles: Exploitation, exploration, organizational slack, lean thinking, lean management, lean manufacturing, innovation, radical innovation, incremental innovation, effectiveness, efficiency, creativity, productivity, organizational performance, paradox, ambidexterity, ambidextrous organizations, contextual ambidexterity, structural ambidexterity, and temporal equilibrium.

When searching for articles, a rating system was developed to ensure that the articles were of relevance to the assignment. By comparing search terms to words in the title or abstract, the authors could ensure that the article was worth spending time on. After accumulating and reading articles, they were prioritized according to authors whose names were recognized in the initial search. Among these names were Michael Tushman, Cristina Gibson, Julian Birkinshaw, Kathleen Eisenhardt, James March, Dorothy Leonard-Barton, Marianne Lewis, Rita McGrath, and Charles O'Reilly.

3.3 Data Analysis

The empirical data collected through the interviews was comprehensive, but the amount was manageable and thereby subject to a thorough single-case analysis. The analysis was conducted with embedded units of analysis, where most of the market verticals, support units and spin-offs were considered separate units of analysis. Altogether, nine embedded units of analysis were analyzed—Bil, Eiendom, Jobb, Torget, Reise, Oppdrag, Platform and Architecture, New Markets, Finn Way of Innovation, and Penger.

The data collected from each interviewee was divided into three main

topics (with some overlaps): exploitation, exploration, and combinations of the two. Based mainly on the transcriptions, but also secondary data sources such as press facsimiles, websites and presentations, every embedded unit of analysis was studied within the boundaries of the three main topics. First, a within-case analysis was performed, and the data was further categorized into subtopics—such as *lean*, *slack*, *effectiveness*, and *innovation*, allowing the researchers to obtain a thorough overview of the information collected for each embedded unit of analysis.

Second, a cross-case analysis, based on similar subtopics, was conducted between the different embedded units of analysis, providing insight on similarities and differences within Finn. Both within-case analyses and cross-case analysis of the embedded units of analysis are found in Part II.

Finally, the data from each embedded unit of analysis was extracted and categorized for entire Finn and its context, allowing the researchers to attain an overall understanding of the organization. This analysis was mainly based on the combinations of exploitative and exploratory efforts, and new subtopics such as ambidexterity, contextual ambidexterity, structural ambidexterity, punctuated equilibrium, domain separation, and senior management teams were used to structure the data. This analysis are found in Part III

The main analysis method was pattern matching (Yin, 2009), where the researchers looked for patterns in the empirical data, which corresponded to the propositions predicted. Some of the main terms that were specifically searched for in the empirical data includes innovation, lean, slack, processes, intrapreneurial, entrepreneurial, plans, continuous improvement, organizational structure, success, failure, performance, ideas, culture, mindset, strategies, experimentation, projects, creativity, meetings, prioritizing and long-term.

The process was highly iterative forcing the researchers to several times step back and forth between the empirical data and analysis. As a result of these analyses, the thesis was divided in three parts—background,

understanding the paradox, and solving the paradox.

3.4 Research Validity and Reliability

Case studies are often criticized for providing little basis for scientific generalization. Yin (2009) argues that they are generalizable to theoretical propositions, where the goal of the research is to expand and generalize theories, also called analytical generalization. This master thesis is based upon well-known organizational theories, and the aim is to develop these theories further.

There are two main reasons for why strategic selection of a case company was used. First, it was vital to conduct this study in an ambidextrous organization. Even though several Norwegian companies have shown indications of both exploitative and exploratory efforts, the authors needed to make sure the company genuinely focused on the two extremes and succeeded with both. Second, the authors' prior knowledge of the organization and people within it, allowed them to rapidly get a comprehensive overview and navigating themselves to appropriate interviewee candidates. In addition, the authors' acquaintance with the company resulted in employees and senior managers were eager to assist and participate in the research.

Biases and partial information may have affected the data, but several measures have been taken to minimize the effect. It was crucial for this study to thoroughly define main terms before conducting the interviews to ensure that the researchers held a common understanding of the words, and thereby could pronounce questions accordingly. This was done to prevent poorly articulated or vague questions that often lead to misunderstood answers. In addition, interviewees have a tendency to form their answers according to what they imagine the researchers are searching for. Another important measure was to create a platform of trust in the beginning of every interview; informing the interviewees of the formalities surrounding a master thesis. An important limitation of this study is that the interviewees are all educated and insightful people working in an ambidextrous organization, implying a

likelihood of some prior knowledge in the field that could possibly influence their answers. To secure reliability, the authors have found real actions or efforts implemented in the organization to confirm the interviewees' answers.

Due to the risk of revealing confidential information, the recorded and transcribed interviews are not made publicly available. However, a summary of each interview is included in Section 4.1. In addition, two interview guides are included in Appendix A.

4 Empirical Background

The current section includes summaries of the interviews, including background and position of each interviewee, their general approach to the paradox, other main points, and the reason for being selected to this thesis.

4.1 Summary of Interviews

4.1.1 Ole Kristian Ullereng

Ole Kristian Ullereng started his professional career at Finn in 2005, and is now the managing director of Torget and Oppdrag. He is also responsible for developing a new initiative at Finn, a cross-corporate future department called New Markets. The new department will have one single mission—to identify new market opportunities and gather leads to such from all vertical markets within Finn.

- Position: CEO Finn Torget AS and Finn Oppdrag AS
- Date of interview: March 15th, 2012

General Approach to the Paradox

A shared sense of ownership across the entire organization will enable Finn to meet corporate goals through directed experimentation The key point of his managerial vision is to ensure that

all team members share a common understanding of the superior goal of each project assigned to. At that point, he believes every effort is made on how to get there, not why. The idea is originated as an opposite to the traditional, hierarchical corporation, where senior management makes decisions behind closed doors, and simply instructs the employees what to do. He believes this eventually will lead to questions arising about superior goals, inappropriately answered by micromanagement. Instead, if the entire team shares the same sense of ownership, all members will be in complete control of where they're headed. He encourages directed experimentation within those frames, allowing the team to chose their own path of getting there. In a successful implementation of such an environment, Ullereng believes he could be gone for months and still return to a team completely on track with the task at hand.

Main Points

Established corporate environments inhibit experimentation Ullereng has witnessed numerous unsuccessful attempts on engaging in experimentation within established corporate environments, and points to the fact that there are fundamental cultural differences between keeping a successful firm profitable and creating all new markets. He further elaborates that trying to be entrepreneurial in a large corporation is challenging when the firm already is successful. He has later developed into a pioneer for promoting intrapreneurial projects within Finn, and his clear advice is to establish entirely new environments to conduct these initiatives within.

Different S curve stages require different staffing Ullereng points to the S curve[3], and suggests that the professional skills required of the development team change as a service travels through the different stages of the curve. The intrapreneurial staff is constantly looking for emerging market opportunities, while the daily operational staff is constantly looking for errors and tiny improvements. The intrapreneurial staff doesn't care about errors and the daily operational staff doesn't care about experimentation.

Reason for Selection

In the authors' view, Ullereng will necessarily have to deal with the paradox of exploitation and exploration every day, being the manager of two departments where each of them represents one of the sides in the paradox. Torget is an exploitative part of Finn's core business, with proven market success and significant revenues. Oppdrag is a more exploratory initiative, and one of the few verticals where Finn is not the market leader. Thus, an integral part of his job involves splitting resources and managerial attention between a proven market success, and an uncertain project with potential of becoming the next success.

4.1.2 Bent Ove Jørgensen

Bent Ove Jørgensen has a background from Eiendom, where he was responsible for commercial campaigns within that particular marketplace. He changed his personal career direction slightly in April 2012, when he decided to join the Product & Concept Development Department as the manager. The department is a novel initiative at Finn, as a measure to

[3]The product technology S curve framework indicates the current life cycle phase and the maturity level of a particular product, technology or market. Nearly every technology invention in history has been empirically proven to conceptually follow this curve. The first stage of the curve is characterized by low maturity level, elementary features and heavy development investments; the second stage is characterized by high maturity level, sophisticated features and low production costs. (InnovationZen)

redeem the superior, articulated goal of launching one new market each year. Jørgensen's personal responsibilities as the department manager are to create commercial solutions for large companies and Finn partners, and establish an experimental style of work with new processes and routines.

- Position: Head of Product & Concept Development
- Date of interview: March 15th, 2012

General Approach to the Paradox

Maintain enough slack to produce good ideas, but enough lean to prevent losing them Jørgensen believes excess lean will kill all creativity, but that excess slack will prevent Finn from capturing the best ideas. The first step to comply with his philosophy is to define an outer frame in which the experimentation should occur. This frame should allow for wide ranges of experimentation, but somehow be connected to an external need from the customer. Second, some processes should be established to capture the solutions that surface in these activities. However, he believes that too rigid routines will prevent good ideas from ever coming to light, and possibly turn employees into robots.

Main Points

Project handovers compromise mental ownership Jørgensen does acknowledge the S curve, but has personal experience of the disadvantages with different people being in charge at different stages of the curve. Eiendom is divided into two sections—*strategic* and *operational*—where *strategic* is responsible for the exploratory market analysis phase of each new project, and *operational* is responsible for the exploitative running phase. Jørgensen witnessed a major loss of ownership in the handover process between *strategic* and *operational*. In light of his experiences, this model is now in the middle of a fundamental change process, where the original team to a larger extent

now stays on the project along the entire S curve. Thus, his belief in this matter is contradictory to that of Ole Kristian Ullereng.

Apply exploratory work style to everyday duties He explains about the rigidity of Finn's corporate strategy goals, comprising an overall one-year strategy direction, decomposed into quarterly roadmaps, and three-week sprints to tread the roadmaps. He believes exploratory projects are absolutely necessary to counterbalance the myriad of routines and processes involved to meet these strategy plans. However, as of today, projects has to fit somewhere in the current roadmap in order to be granted by senior management. Although some channels exist to enable more unbound experimentation, such as Finnopp, Finnovasjon and Sandbox, Jørgensen is of the opinion that this work style should be applied to a broader part of everyday duties.

Reason for selection

It is the authors' opinion that Jørgensen's background from an exploitative market vertical with confirmed success makes him interesting in combination with his new position in a more exploratory context. Even though his job in Eiendom was launching new commercial campaigns, occasionally involving some experimentation, there are still some aspects that always will limit the experimentation possible in established and successful services like Eiendom. An articulated goal for his new department is to increase the level of unbound experimentation.

4.1.3 Lars Erik Ribe Anderssen

Lars Erik Ribe Anderssen has worked in Finn since 2005, and has the top responsibility for every line of computer code written in the company. He creates Finn's general IT strategy and lays the technological foundation to enable the organization to consecutively experiment, develop and maintain market success. He is the general manager of four programmer teams, including system architects and central functionality teams.

- Position: Director of Platform and Architecture
- Date of interview: March 22nd, 2012

General Approach to the Paradox

Every project has an exploratory phase Ribe Anderssen is of the opinion that the superior objective of every project's initial phase is to confirm the business model and demand, not the technology. Consequently, he regards the choice of technology as irrelevant in this phase and his mission is rather to get the product out there, showcase it for the customers, process the feedback and iterate. The operation of bringing the code to perfection should not start until a satisfactory service has been shaped, since the code has to be rewritten and changed from the initial sketch anyway.

Main Points

Don't allocate tasks—allocate mental ownership Employees' tasks and motivation should always originate from personal ownership. Therefore, Ribe Anderssen does not simply allocate the explicit workload to his staff. Instead, he allocates formal ownership of the tasks, with the ambition of this resulting in a mental sense of ownership as well. As a consequence, a certain continuity is required through a project phase, and he agrees with Bent Ove Jørgensen that project handovers compromise mental ownership. However, he allows for some team member replacements, as long as no clean-cuts are made in the team at any point in time.

Flexible division of labor enables mental ownership even to routine work Ribe Anderssen is confident that the concept of mental ownership not only should be applied to exploratory initiatives, but also to everyday work. If his programmers feel like they own the tasks themselves, and take personal pride in the outcome, the entire project will increase in quality. Further, he believes that when quality is increased, the effectiveness increases accordingly.

Reason for Selection

Ribe Anderssen is the general manager of a department most people from an outside view would expect as the most lean, but in fact has exactly the same elements of experimentation as the market vertical departments in Finn.

4.1.4 Christian Haneborg

Christian Haneborg started his career at Finn in 2007, and formally left in 2010, when his intrapreneurial start-up Penger branched out to a separate company. The basic idea of Penger is to complement the capital goods at all Finn's market verticals with corresponding financing and insurance services. Before the idea of Penger was conceived, he was in charge of developing advertising solutions to key accounts across all Finn's markets.

- Position: CEO Penger AS
- Date of interview: April 2nd, 2012

General Approach to the Paradox

Corporate success inhibits entrepreneurial spirit Haneborg's main concern is that Finn's unprecedented success is counteracting the goal of maintaining an entrepreneurial atmosphere in the office, and that intrapreneurial efforts should be moved to a different physical location. Company achievements are often publicly celebrated in the office, and most employees have enough freedom to not spend more than six hours in the office landscape any given day. He believes that Finn would remain as the number one in most of its markets even if the entire staff stepped down for a limited time, and that someone always pays the bills. Altogether, this is not an optimal starting point for creating a cost-conscious culture of entrepreneurial spirit. The solution, as Haneborg sees it, is to rather develop the experimental projects in the incubator at Oslo Innovation Center[4] than within the corporate headquarters.

[4]Forskningsparken

Main Points

Five failures and one great success still equal great success Haneborg believes that intrapreneurial failures are a healthy sign, indicating that the company engages in sufficient experimentation to ensure that at least one great success eventually will be among the attempts. A corporate imperative to ensure continuous intrapreneurial efforts is to establish mental ownership among the team members by increasing their stakes. They should be offered a substantial monetary reward if certain goals are achieved. The reward will incur increased expenditures on the company, but will definitely be worth it if it makes the team motivated enough to successfully establish a new market vertical or sub-vertical.

Loss of cost consciousness A consequence of Finn's unprecedented market success is the loss of cost consciousness. Haneborg points out that through the company's entire history, not a single employee has ever been laid off due to cost reductions. He believes that Finn easily could be run more resource efficient without compromising the innovation rate.

Reason for selection

Haneborg is selected because he has taken an idea that at the initial starting point was nothing more than a conceptual thought of mind, and transformed it into a very promising independent business. He has experienced the processes of experimental innovation through the entire company, and even established some of them on his way.

4.1.5 Wakas Asif

Wakas Asif has worked at Finn since 2007, first in Torget and now as Key Account Manager in Jobb. He is responsible for several of Finn's most important commercial customers, such as Statoil, Orkla and Dnb. He is part of a team of eight account managers in Jobb.

- Position: Key Account Manager, Finn Jobb AS
- Date of interview: March 14th, 2012

General Approach to the Paradox

Ad hoc pitches more efficient than internal innovation communities Asif explains about the corporate culture in Finn, allowing personal ideas to be pursued provided that someone gain mental ownership to them and takes the appropriate measures required to bring them to the next level. However, people do not realize that in most cases, that person has to be themself. In his professional opinion, the problem with Finn's internal innovation community Finnopp is that few employees takes mental ownership to ideas posted there by others. Thus, if you have a good idea and are prepared to personally pursue it, Finnopp is simply a time-consuming intermediary instance, slower than simply talking to your direct superior. He underscores that Finnopp still has an important role for the most uncertain exploratory projects, with no natural affiliation with any of the established verticals.

Main Points

Engage in experimentation even if the outcome is uncertain Asif insists on Finn having an established culture promoting trial and error as a legitimate measure to enquire into the potential of new ideas. In his opinion, this is an important principle to maintain, especially to ensure that even uncertain ideas are being evaluated. He appreciates the importance of pursuing these ideas, knowing that future market successes not always stand out as such in the initial phase.

Reason for selection

As Key Account Manager, Asif will not be engaging in the most experimental projects himself, but will provide useful insights to how the inside of the organization considers such projects.

4.1.6 Bente Mari Kristiansen and Bjørn Henrik Vangstein

Together, Bente Mari Kristiansen and Bjørn Henrik Vangstein constitute Finn's division for continuous improvement and implementation of lean principles, Finn Way of Innovation. The division's mandate is to aid other divisions by introducing lean thinking and applying a more explicit innovation structure. A key point is that every involvement should yield measurable results for the assisted division. They have both worked at Finn since 2006.

- Position: Lean Experts
- Date of interview: March 22nd, 2012

General Approach to the Paradox

Structure facilitates innovation Kristiansen and Vangstein's philosophy is that corporate innovation will accelerate if a structural framework is applied to the process. It should be clear to all employees exactly which standards, tools and resources are available for them to pursue personal ideas, and through what channels to ask for help. They still encourage exploratory initiatives, as long as the experiments have clearly articulated goals, duration and resource consumption.

Main Points

Seven principles for raising self-consciousness The overall mission for Kristiansen and Vangstein's department is to elucidate the cause and effect of people's actions in other departments. The seven principles include clarification of processes, results and work style, prioritizing customer value, definition of effectiveness and establishment of mental ownership, communication and quality. They emphasize that with Finn's extraordinary success, they do not promote workforce reductions or expenditure cuts, but rather maximizing the profit of the resources accessible in each department.

Rationalize the intuition Not more than twelve years have passed since Finn was simply a mere technology start-up, and elements of such are still present in the corporate culture. Kristiansen and Vangstein are concerned about projects still being pursued solely on the basis of intuition and gut feeling. A fundamental purpose of their department is to help rationalize people's gut feelings, transform their intuition into facts and hypotheses, and define KPIs to assess the experiments.

Determine individual KPIs originated from customer need The lean experts' policy is that all internal processes—everyday routines, trial and error projects and experimental efforts—should have explicit objectives defined before engaging. However, the objectives should not be standardized, but individually assessed for each operation. An important property of these objectives is that they must originate from a validated customer need.

Reason for selection

As certified experts in lean thinking, Kristiansen and Vangstein are quintessential representatives of the exploitative extreme point in the paradox of exploitation and exploration. Thus, they'll provide useful insights on how processes and routines come into being in a company by many regarded as closer to the other extreme point.

4.1.7 Nina Moi Edvardsen and Niklas Larsson

Nina Moi Edvardsen started her career at Finn in 2000 as Marketing Manager and Head of HR. In 2006, she was promoted to VP of Organizational Development. Niklas Larsson started his career at Finn in 2010 as VP of Strategy and Product Development. They are both part of Finn's senior management team. Larsson is responsible for the priority of new products and strategies within and outside Finn's core activities, and Edvardsen for the organizational development, such as Finn Way of Innovation and HR.

- Position: VP of Organizational Development (Edvardsen) & VP of Strategy and Product Development (Larsson)
- Date of interview: April 27nd, 2012

General Approach to the Paradox

Multiple ways to achieve innovation and effectiveness Edvardsen and Larsson's opinion is that innovation and effectiveness will arise from individuals that possess a mindset allowing for contradictory thoughts. But there is also a need for separation of these efforts and thoughts. The success culture at Finn does not make up a suitable environment for new ventures, and it is vital to separate them and allow them to create an entrepreneurial spirit.

Main Points

Build a new Finn The overall mission for Edvardsen and Larsson is to build a new Finn in the next four years, implicitly expanding the existing one. This is an ambitious goal, since it took about ten years to build the existing platform with all its features. This strategy implies to build a structure regarding how innovation should arise from Finn, with integral measures like Finn Way of Innovation and New Markets.

Failure is the key to success Edvardsen and Larsson emphasize that they appreciate past failures when it comes to innovation. Teams with experience from failures will learn how to succeed with the next venture, as well as build hunger for success with a "what ever it takes"-attitude.

Cycle between exploitation and exploration Finn has evolved from being an entrepreneurial company, towards becoming a mature company with established processes. Edvardsen and Larsson acknowledge that they are afraid of becoming too bounded in their current operation mode, establishing processes that overshadow the progress.

Reason for selection

Edvardsen and Larsson are part of the senior management team, and are thereby forced to handle the exploitation/exploration paradox in their daily work. Thus, they'll provide useful insights on how the senior management team perceives ambidexterity and what measures Finn utilizes to become ambidextrous.

4.2 Exploitative and Exploratory Efforts

4.2.1 Exploitative

Cascading corporate strategy Finn has implemented a rigid system for strategic planning and goal achievement, comprising the entire scope between long-term visions and weekly assignments. First, top management sets a joint, superior long-term direction for the entire organization, known as the corporate strategy. The corporate strategy is valid for three to five years, and decomposed into market strategies for each vertical market. Within each market, the marked strategy is then decomposed again, into sales strategy, product strategy and organizational strategy, respectively. "The tradition of instituting explicit three-year goals within each particular market has been discontinued, after a record of such strategies never being realized in practice anyway." (Ullereng) Instead, a general direction is adopted, leaving the means of getting there open for interpretation by the individual markets. The vertical interpretation is known as a roadmap, each valid for one year. They are broken further down to quarterly roadmaps, and once again down to Scrum[5]-based three-week sprints.

Finn has a set of valid strategy drivers, known as the acronym CARS. The letters indicate *customized*, *aggregated*, *relevant* and *social*, respectively. In addition to the strategy drivers, Finn also has a set of internal values, namely

[5]An iterative and incremental development method for managing software projects and product or application development. The method transforms an extensive project execution plan into sprints of 2-4 weeks duration. (Schwaber et al., 1995)

effective, *helpful*, *enthusiastic* and *safe*. The overall objective of every new, strategic initiative at Finn is to increase the level of one or several CARS indices, to achieve a higher score on one or several internal values. "Thus, we are not becoming social just to be *social*, if so we could just create another Facebook. It has to justified by simultaneously becoming more *effective* or more *helpful*." (Ullereng)

Continuous improvement Finn has institutionalized Finn Way of Innovation as a separate department to oversee the implementation of lean principles. Its objective is to teach every other department how to maximize the outcome of the given resources, using lean thinking as the tool. With Finn being quite a successful corporation, cost reductions and workforce downscaling are not an integral part of their work. (Vangstein)

One of the core activities of Finn Way of Innovation is certification of other departments according to the penetration rate of lean thinking. They are currently working with 16 different teams across all market verticals and support functions, by arranging weekly three-hour workshops with each department. Motor (Bil) currently has the top rank, attaining level 3 out of 4. (Jørgensen, Ribe Anderssen) The workshops are completely discretionary for every department to participate in, and are split into four separate levels. The goal in the first level is to call attention to the present way of operating the department, in the context of processes and procedures. The goal in the second level is to institute a structure for output monitoring and prioritizing. The goal in the third level is to clarify the internal communication, through insights, involvement and information. Finally, the goal in the fourth and last level is to ensure technical quality. Additionally, every level has a set of 29 checklist questions to benchmark the progress. (Kristiansen & Vangstein)

Ribe Anderssen experiences the process as captivating, but sometimes grim: "It can be pretty tough when we're right in the middle of it. It sometimes feels like the workshops are placed on top of everything else we

have to do of ordinary work in the department." He admits it gets easier once a couple of team members are enthusiastic towards the initiative, because it inspires the rest.

4.2.2 Exploratory

Finn has initiated a series of different activities to employ organizational slack. Several of them are organization-wide projects structured as events, arrangements or awards.

Finnopp Finnopp is an intra-organizational social community for sharing business ideas between employees across different departments. "We use it to gather completely new ideas or get inspiration to alter and improve existing ones." (Jørgensen) The community is open for ideas addressed both to an employee's own department, or to any other department in Finn. It is designed as a mechanism to capture thoughts, opinions and improvement proposals, especially in situations where the originators not are in the position of personally effectuating the propositions themselves. Also, Finnopp is designed to capture suggestions with no natural belonging in any of the existing market verticals. The community further includes several social elements, such as public commenting functionality, and the ability for employees to vote different ideas up or down by giving out social credits, known as *kudos*. (Asif)

Sandbox Sandbox is an initiative where internal developers are given complete access to Torget's databases, enabling completely unbound experimentation as a measure to produce innovation. If you work out a good idea using this database, you may spend all your leisure time to pursue it, and even personally profit from it, as long as Finn gets a small commission. Ole Kristian Ullereng is heading the panel of judges granting acceptance of such projects. (Jørgensen)

Finnovasjon Finnovasjon is an annual, competitive event in which all interested employees get the opportunity to spend 48 hours to form teams and develop ideas. It is designed as an arena for constructing business concepts that do not entirely match the corporate strategy, and thus not will be allocated resources from Finn's regular operating budget. "This is where you can bring that crazy idea that didn't fit in anywhere else. It's like taking the back door" (Jørgensen) The requirement specification for the initial design of Finnovasjon was very specific about the purpose of the event—to allow for enough research time to provide a credible indication of each idea's feasibility, and the chance of providing future profit to the organization.

The event is kicked off in the canteen, by developers forming teams and joining sales people at tables. Subsequently, everyone with an idea makes visits at every table and pitches their ideas. Wherever there is a match, the table team joins the pitcher, forms a group, and works together during the next 48 hours to make mock-ups and prototypes. Every employee in every department in Finn is allowed to either participate, or simply observe and provide occasional input. "The event is still in an early phase, but the internal publicity is good." (Jørgensen) In the previous occurrence of Finnovasjon, Finn's CEO joined the event, and won the entire contest together with his team.

Finnawards Finnawards is an annual event coinciding with the Christmas Party, where the best intrapreneurial initiatives are awarded with prizes and attention. "Finnawards is a secondary, yet effective motivation for engaging in such activities." (Asif)

4.3 Classification of Departments

When some markets have existed for almost a decade while others are still young, the consequence is fundamental mindset differences between them. Figure 1 is an attempt to illustrate the authors' perception of the mindset in each department, assigning each department to a linear scale between the two

extreme points. The score will be used to analyze and compare departments in Part II.

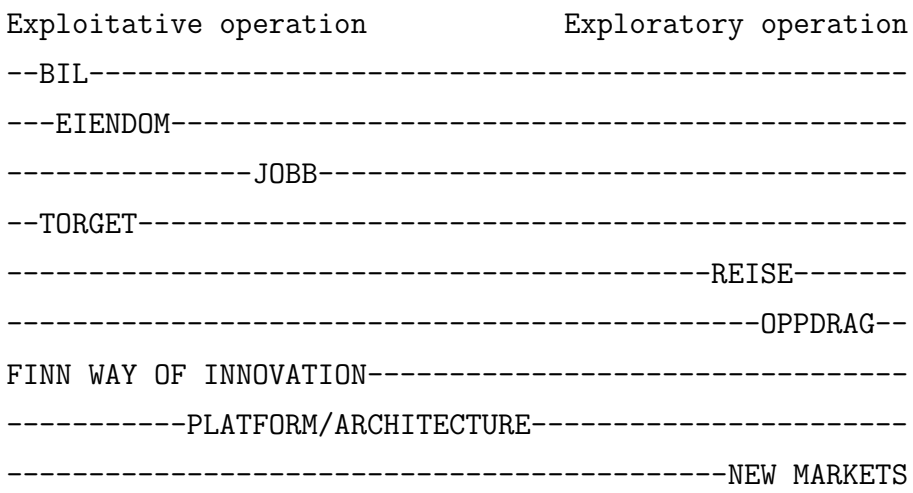

Figure 1: Strategic Classification of Finn's Departments

Part II

Understanding the Paradox

In this part, a new framework will be presented based on the need for a more logic way of structuring the previous theory; introduced by theoretical and empirical means. Section 5 will present the theoretical framework itself, as proposed by the authors. Section 6 will apply the framework to the empirical material from Finn, and present any matches in pattern. Section 7 will juxtapose the theory directly with the case company, to investigate the extent of which the empirical material validates the suggested framework. The results will be used in the final conclusion to assess hypotheses H1 through H4. Finally, Section 8 will assess the credibility of the results, and draw a formal conclusion on the framework's general applicability.

5 The Pathway Framework: a New Theoretical Framework for the Exploitation/Exploration Paradox

Exploitation and exploration are described as two contradictions in organization theory. In an organization's effort to become more effective, it will also inhibit its ability to innovate. Organizations with focus on innovation may suppress their core capabilities and allow for slack instead of effectiveness. (Gupta et al., 2006) March (1991) argues that organizations managing both exploitation and exploration are able to secure success, but since exploitation and exploration compete for scarce resources, they are regarded as incompatible. (Gupta et al., 2006) More resources allocated to exploitation leave fewer resources left for exploration, and vice versa. In addition, the mindset and organizational routines required for exploitation are radically different, and in opposition, from those needed for exploration.

This leads to exploitative organizations promoting even more exploitation, and exploratory organizations even more exploration. March (1991) therefore concludes that an organization cannot pursue exploitation and exploration simultaneously. The tension between exploitation and exploration are regarded as unmanageable.

The framework proposed in this section seeks to illustrate the two very general organizational strategies of exploitation and exploration, through a structure of four different levels. The first level is where the fundamental choice of a generic strategy takes place. The second level is the specific tool suited for that particular strategy; what actions and culture the strategy translates to in practice. The third level is the specific key performance indicator where the organization is expected to perform best, following the given generic strategy. The framework is concluded by an idea of exploitation and exploration being two pathways to a common, superior objective—profit maximization. Profit is the fourth and final level of the framework. A proposition for further investigations has been identified: *H1: Exploitation and exploration are two distinct pathways to profit.* The proposition will be investigated both theoretically in the current section, and empirically in Section 6.

Several authors have introduced partial versions of this framework before, but most of them remain as incomplete attempts. (Nohria and Gulati, 1996; Andriopoulos and Lewis, 2009; Smith and Tushman, 2005) Only a few of the models perceive the dimensional differences present in this field, for example are breakthrough and profit often presented as two opposing extreme points in a paradox of organizational emphasis. (Andriopoulos and Lewis, 2009) The current framework provides structural evidence on the questionable nature of such comparisons.

5.1 Level 1: The Mindset

The first level is a choice of common organizational mindset—a choice between exploitation and exploration as the fundament for future strategy

formation. Exploitation might be said to build on an organization's past, while exploration creates future opportunities quite different from this past. It is a fundamental mindset difference; the dictum of exploitation is discipline and effectiveness, while the dictum of exploration is learning by doing and trial and error. (Smith and Tushman, 2005) The choice of mindset is shown in Table 2.

Even though the choice may seem clear for one particular firm at first sight, it is in fact one of the most challenging issues for every team of top management. Traditionally, exploitation has been regarded as the primary source for short-term profit (Benner and Tushman, 2003), while exploration has been regarded as the most important determinant for sustainability and long-term growth. (Atuahene-Gima, 2005) The choice is complicated further by the fact that most products conceived from exploratory strategy will be in direct competition with an organization's existing products. (Smith and Tushman, 2005)

Exploitation	Exploration

Figure 2: Level 1: The Mindset

Andriopoulos and Lewis (2009) have performed multiple case studies on how organizations cope with this fundamental strategy choice. The studies confirm that the choice is, in fact, a tough one. A manager from a computer hardware producer characterizes the dilemma as "a daily struggle between making money and doing what's true to your heart. Because your ability to make money the next day depends on how true you are to your heart the day before". Another manager also points out a certain tension between how he and his firm believe a certain problem should be solved, and what his client believes should be done, expressing the need to act exploratory within the restrictions given by the client. (Andriopoulos and Lewis, 2009)

Exploitation is a generic strategy rooted in traditional values from resource-effective production of commodities. An organization with

exploitative mindset will include aspects of the *Kaizen*[6] way of thinking, where any activities that consume resources without creating value will be ceased. (Chen et al., 2010) Examples of industries where exploitation is the correct choice of strategy would be production of homogeneous articles, such as sugar, milk, wooden boards or refinement of raw materials. It is the preferred strategy both in times of depression, and in times of great gains. In the latter situation, managers will take a risk-averse stand in strategy formation, to ensure a total exploitation of the current business cycle peak. (Kahneman and Tversky, 1979, cited in Smith and Tushman, 2005)

Exploration, on the other hand, is a generic strategy emerged from modern values such as differentiation, modernization and innovation. (Siggelkow and Rivkin, 2006) An organization with exploratory mindset will appreciate experimentation, and not only accept, but expect its employees to trial and error. (Smith and Tushman, 2005) Examples of industries where exploration is the correct choice of strategy would be all producers of services and heterogeneous products, such as news and media, marketing, retail, education, motion pictures and most parts of the tertiary sector of the economy.

5.2 Level 2: The Tool

The second level is the optimal tool that corresponds to each of the two generic strategies, as shown in Table 3. Once an organization has determined whether exploitation or exploration will be the foundation for strategy, the tools used to effectuate that strategy must match the corresponding mindsets.

The specific tool corresponding to exploitative strategy is lean. (Chen and Taylor, 2009) As pointed out earlier, the concept of lean involves ideas of

[6]Japanese for "improvement", or "change for the better". Refers to philosophy or practices focusing on continuous improvement of processes in manufacturing, engineering, game development, and business management. The objective of Kaizen is to reduce costs through eliminating various forms of "waste" and non value-adding labor. Workers are expected to assist in the constant refinement of work methods. (Robertson et al., 1992)

Exploitation	Exploration
Lean	Slack

Figure 3: Level 2: The Tool

waste reduction, effective resource utilization and continuous improvement. (Green, 1999) Applying this concept on the example of homogeneous articles will translate to a strategy of producing commodities with maximum effectiveness; that is to maximize the unit production of milk with respect to required resources. Once the dairy has adopted an exploitative strategy, the tool of lean will induce a goal of producing milk with minimum resources in terms of man-hours, buildings and livestock.

Conversely, the tool corresponding to exploratory strategy is slack. (Nohria and Gulati, 1996) If this concept were to be applied on the example of heterogeneous products, a major concern for the focal firm would be to enable enough trial and error attempts and experimentation to ensure that at least one of the attempts results in a real market success. (Smith and Tushman, 2005) For instance, it may be very hard for an entertainment corporation to anticipate exactly what ideas have potential to strike the mass markets, and attempts to predict this by analytic methods could be a very expensive solution. A more cost-effective course of action would be to launch enough ideas for at least one of them to succeed. A marketing firm would probably go even further and give its employees carte blanche to create whatever ideas they want, based on their educated guesses about demand.

Thus, organizations driven by exploratory mindsets will not succeed in using lean production and waste reduction as the main tool for strategy implementation. Standardization, rules and routine work will cause employees to gradually lose their commitment and motivation. In the extreme case, the end result of this unsuitable combination of mindset and tool will be total elimination of all creativity. (Amabile, 1998, cited in Chen and Taylor, 2009) Conversely, organizations driven by exploitative mindsets

will not succeed in using extensive slack and experimentation for strategy implementation. An exaggerated drive to pursue new opportunities and blue oceans will result in traps. (Gupta et al., 2006) At the extreme point, this other unsuitable combination will cause organizations to completely disregard market demand, and turn their products into mere designer whims. (Andriopoulos and Lewis, 2009)

However, one issue concerning the proper choice of strategy implementation tool still remains unresolved. While lean organizations strive for the elimination of all processes that are not value-adding, the concept of lean clearly postulates that end users are the only entity where this value may be defined. (Chen and Taylor, 2009) Thus, lean organizations would fail in the myriad of situations where customers don't know their own best, or at least are unable to foresee the great product improvement they actually demand. And where the experimentation of a slack organization still could produce the breakthrough product, the discipline of a lean organization would eliminate the very activity that would lead to this product being conceived. (Chen and Taylor, 2009) Lean organizations eliminate all activities that are not value-adding and leave it to their customers to define value. (Womack and Jones, 2003) The question that remains is how value and well-spent time is measured when customers may be wrong.

5.3 Level 3: The Result

Which specific performance index that is expected to achieve superior scores over the other is tightly connected to the choice of generic strategies. A choice of exploitative strategy will imply lean being used as a tool for putting discipline and control in effect throughout the firm. Such organizations should expect a distinction in effectiveness performance. (Porter, 1996, cited in Piercy and Morgan, 1997) However, firms with exploitative mindsets should not expect a particularly high innovation rate, as innovation is fostered through slack environments rather than lean. Conversely, a choice of exploratory strategy will imply slack being used as a tool for putting

risk-taking and experimentation in effect. Such organizations should expect a distinction in innovation rate. (Nohria and Gulati, 1996) Firms with exploratory mindsets should not expect a particularly high effectiveness performance, as effectiveness is fostered through discipline rather than experimentation. The relationship is shown in Table 4. Innovation rate in the context of this framework is defined to include at least some elements of discontinuous innovation.

Exploitation	Exploration
Lean	Slack
Effectiveness	Innovation

Figure 4: Level 3: The Result

The relationships stipulated in Table 4 have given rise to two propositions: *H2: Exploitation yields high effectiveness and low innovation rate* and *H3: Exploration yields high innovation rate and low effectiveness.* The propositions will be empirically assessed in Sections 6.1 through 6.3.

5.4 Level 4: Profit

A fundamental attribute of all corporations is their objective of profit maximization. Regardless of industry, organizational structure, ownership, region or origin—profit remains as the superior purpose. A reasonable elaboration to the framework would therefore be that exploitation and exploration are, in fact, two different pathways to profit. Table 5 indicates the relationships. The complete framework will be subject to empirical consideration in the following sections, to identify any matching patterns. The primary objective is to assess the extent of which the current framework is a paradigm of reality, and further identify any constraints or exceptions in the circumstances of which the framework is a valid approximation.

However, there seems to prevail a certain unawareness in the literature about the existence of these explicit pathways to profit. While both

Exploitation	Exploration
Lean	Slack
Effectiveness	Innovation
Profit	

Figure 5: The Pathway Framework

effectiveness and innovation are very common organizational KPIs, an integral corollary of the current framework is that organizations not necessarily have to achieve both simultaneously in order to maximize profit. Once a choice has been made between exploitation and exploration, organizations should only expect the single corresponding KPI as result, not both.

No Need for Innovation in Exploitative Organizations An immediate contradiction to the current framework is the apparent imperative need for lean organizations to be innovative. A recent paper aims to "explore the effects of lean management on an organization's innovation capability and its employees' creativity", as well as present "techniques and strategies for an organization to achieve balance between successful lean practices and continuous product innovation". (Chen and Taylor, 2009) Thus, the paper investigates what effects lean management may have on creativity and continuous product innovation, respectively. It seems that unexpected outcomes of lean management are to be explored, since the first, creativity, is a direct contradiction to lean principles. (Hoerl and Gardner, 2010) However, the objectives of the paper are inconsistent, as continuous product innovation is one of the core concepts of lean, and hence, not a contradiction at all. Evidently, there is confusion in this field of study, and clarification on the subject is needed.

This is confirmed in the case studies by Andriopoulos and Lewis (2009), where a CEO of a consumer electronic company questions an organization's

ability to truly drive profitability without being creative. Further confusion is found throughout the lean production field of study, where a number of publications investigate possible ways of cultivating for innovation-encouraging culture in lean companies, and how innovation activities may be defined such that they are not eliminated as waste. (Chen et al., 2010) The question remains—once an exploitative strategy has been chosen, why struggle to immediately implement the principles of the opposite strategy?

The current framework implies that lean organizations should not expect to be very innovative, and slack organizations should not expect to be particularly effective, given that exploitation and exploration are the two extreme points of the paradox, and unable to combine.

Comparing Different Levels Yet another misapprehension regularly encountered is the definite levels of this framework, and specifically where innovation is found. The CEO of a consumer product company reveals his thoughts in the same case study: "You must be profitable and creative. You need everybody thinking like that, right down to the interns." (Andriopoulos and Lewis, 2009) The problem here is that creativeness (i.e. innovation) and profitability are not two independent concepts to be combined, but rather sequential in terms of the exploratory pathway. Once exploration is the chosen strategy, and slack successfully implemented as the tool to implement that mindset, the firm will most likely experience a significant increase in innovation rate, and make considerable profit accordingly.

Pathways to Different Types of Profit The idea of exploitation and exploration being two different pathways to operational profit is subject to debate in the organizational theory literature. A relevant discussion has emerged in the last couple of decades, where some scholars have claimed that the two pathways in fact lead to different types of profit. More specific, the claims are that one pathway leads to short-term profit, while the other leads to long-term profit. (Abernathy, 1978, cited in Benner and Tushman, 2003) The current consensus is that incremental improvement projects

Exploitation	Exploration
Lean	Slack
Effectiveness	Innovation
Short-term profit	Long-term profit

Figure 6: The Pathway Framework extended: different types of profit

and exploitation of core capabilities pay the bills, while radical innovation projects and exploration build new capabilities. (Wheelwright and Clark, 1992, cited in Andriopoulos and Lewis, 2009) Sustained performance is thus rooted in managing both short-term efficiency and long-term innovation simultaneously. (Smith and Tushman, 2005) This paradox has contributed to the postulation of another proposition: *H4: The two pathways represent extreme points of a managerial paradox.* The proposition will be evaluated empirically in Section 6.

When the concept of exploitation and exploration as two respective pathways to different types of profit is merged into the previous theory in this section, the result is an extended framework as illustrated in Table 6.

6 Empirical Assessment of the Pathway Framework

The main objective of the current section is to apply the Pathway Framework to the empirical material from Finn, and investigate whether Finn recognizes exploitation and exploration as two explicit pathways to profit.

Finn is one of the most profitable companies in Norway. Established in 2000, it is also a fairly young company, considering this exceptional success. It ranks second at Norway's most visited web sites, and concluded

the fiscal year of 2011 with an operating margin of 47%[7]. The employees have an impression of Finn delivering results of unparalleled performance, and Christian Haneborg admits that "if half the workforce didn't show up for work, a couple of months would probably still go by before we would trace any significant decline in revenues".

This remarkable success is a great influence on the corporate culture, and the staff generally perceives Finn as a generous organization, sharing its success with the employees. They have the luxury of extravagant weekend trips to European capitals and Norwegian mountains, an office located right in the middle of Oslo's city center and uncommonly flexible office hours: "I'm sure management has noticed that the number of unoccupied desks at 9:15 AM is pretty high, and if they return at 3:15 PM, it's about the same", Haneborg notes, pointing to fact that Finn has established an environment where people's capabilities to fulfill their duties are trusted also outside the office walls.

Together with the strong financial results, these perquisites have made the employees vote Finn to the top position of *Great Place to Work Institute*'s annual workplace environment survey, giving Finn the award for being the best place to work in Norway 2011 and 2012. Finn's rapid success has left traces of entrepreneurial culture in the company. When the first lean initiatives appeared in the organization, the first thing they realized was that until that point, the entire operation had been run on gut feeling and intuition rather than processes and routines. (Ole Kristian Ullereng)

6.1 Level 1: The Mindset

Technology adaption curve is a determinant for mindset Several interviewees in the empirical material acknowledge the S curve as an important determinant for the current modus operandi within a given

[7]Operating margin is a ratio used to measure a company's financial efficiency, calculated by dividing operating income by net sales. In comparison, Google Inc. has an operating margin of 32%, Apple 36% and General Electric 10%. (Investopedia)

department. (Ullereng, Jørgensen, Ribe Anderssen) At this curve, experimentation is at the bottom, then development and refinement, before the operational running phase. Ullereng is of the opinion that different stages of this curve require different staffing. He points to the fact that intrapreneurial people constantly are looking for emerging market opportunities, and thus should be assigned to the initial, experimental phase. Conversely, the operational staff is constantly looking for errors and tiny improvements, and should thus be assigned to the daily running phase. "The intrapreneurial staff doesn't care about errors and the daily operational staff doesn't realize new market opportunities, so I wouldn't have them mixed up". (Ullereng)

Jørgensen has the complete opposite view. Although he acknowledges the point of all people not being equally qualified for all stages of the S curve, he has personally witnessed that the disadvantages of having workforce handovers—from the *strategic* to the *operational* section—in the middle of a project is of greater magnitude than those of having both entrepreneurial and operational staff in the same phase. The evidence originates from his previous position in Eiendom as Strategic Head of Product development, where he managed the *strategic* section and had to hand projects over to the *operational* section once they were proved successful. He was in charge of contemplating the department in a long-term perspective, and his responsibilities included roadmap planning, feasibility analyses on proposed projects and effectuation of such projects up to the implementation phase. At that point, the team had accumulated mental ownership to the project since the idea conception. (Jørgensen) With mental ownership, the *strategic* team then has to start from scratch in a new project, and the *operational* team has to start from scratch in the project handed over to them. "You lose mental ownership in a project handover. It is also equally difficult to take over". (Jørgensen) In light of his experiences, the policy for project staffing in Eiendom is now being fundamentally changed. To the extent possible, the original team will now stay on the project along the entire S curve.

Ribe Anderssen takes a third, yet different stance on the subject of staffing, somewhere in between the two previous views. He does acknowledge the need for heterogeneous S curve staffing, and in the context of programming, he mentions that "I guess the kind of programmers able to get a prototype up and running fast are a different kind versus the ones completing the stable, operational version". However, he is certain that there has to be some level of continuity through the life cycle of a new product or service, and that handovers are unfortunate: "I believe the most important thing is to avoid clean-cuts in the team". (Ribe Anderssen) His strategy is to allocate sufficient mental ownership for employees to personally see projects through, and simultaneously allow for employees whose personal skills reside in either extreme point of the S curve, to not be assigned to the other.

Allocate mental ownership, not specific tasks Ribe Anderssen's department has already conducted the same change process now imminent at Eiendom. His own philosophy is that both the product and the team benefit from giving all team members the opportunity to participate in the success without being forced to hand it over to the operational team. In his opinion, people will lose motivation knowing that someone will take over their work once it starts to look promising.

Mitigating the challenges of dissimilar personal skills requirements along the S curve is where Ribe Anderssen applies his personal strategy. He allocates ownership to his employees, both mental and formal, instead of asking them to deliver specific tasks. That way, the team members on every project own the entire venture, and will not suddenly be leaving the task. "I like to think of it as if we're not doing projects, but rather allocate an ownership. Then, someone will be attentive to that product for its entire life cycle." There is always a risk that some employees never develop mental ownership to any given project, and thus are less motivated to contribute with passion. Ribe Anderssen's model enables them to quit the current project and establish their ownership on the next initiative instead.

The concept of mental ownership has a wide acceptance across Finn, and is the principal point of Ullereng's personal managerial vision. Jørgensen has taken the lead in introducing the exact same mindset in his own department: "General motivation will always fluctuate, but the level of involvement is important." He insists on constantly involving all levels in the organization, and believes Finn is excelling when it comes to flat organization structure: "There are no bossing around of people here or superiors trumping through decisions." Moreover, he explains the background of his belief of involvement being of such high importance in organizational management: "You are driven by your own, personal dedication rather than a given dedication. When you see a personal value, the mindset will change accordingly." (Jørgensen)

6.1.1 Exploitation

Exploitative culture inhibits entrepreneurial spirit Through the last couple of years, Finn has proven its position with several profitable services approaching 100% market share. An obvious agenda is to keep the services that way, and exploit their potential completely. Torget is an example where Ullereng's mission, as the current CEO, is to weed out all experimental ambitions. This exploitative success is evidently making an impact on the corporate culture, with the extravagant weekend trips, centrally situated headquarters and flexible office hours. A culture of achievement prevails in the corridors, and Haneborg elaborates: "Celebrating ourselves with cake in the meeting rooms every second day—it does influence people's attitude." Finn has excess amounts of money, and there is a general understanding that someone always pays the bills. Haneborg admits that the culture of constantly being best diminishes cost consciousness, and compromises the organization's ability to maintain the entrepreneurial spirit: "It is challenging to establish a culture of counting your coins every night and expecting people on intrapreneurial initiatives to work late when everyone else arrives at 10 AM and leaves at 3."

Ullereng has witnessed numerous unsuccessful attempts on engaging in experimentation within established corporate environments, and points to the cultural mismatch between experimental projects and operational projects. Haneborg agrees: "Every department is doing lavishly appointed bonus trips to New York or South Africa, not exactly signaling a shortage of money. It enables a huge scope of opportunities for innovation and capital influx, but my personal opinion is that it compromises the entrepreneurial spirit." Every time Finn has succeeded with intrapreneurial measures, they originated by establishing separate environments within Finn. Penger is the most recent venture, located in their own office space farthest down the corridor. (Ullereng)

Haneborg, as the CEO of this initiative, would go even farther when establishing these separate intrapreneurial environments: "It is challenging to establish an entirely new market vertical, and impossible to do it between half past eight and four. Ever since I started, I've said that if I were a stockholder, I would relocate my department to the incubator at Oslo Innovation Center together with other entrepreneurs." This is consistent with the kind of employees he wants to attract; the ones who are willing to sacrifice 100.000 NOK in salary, rather get 1% shares in the initiative and have the chance to realize 3 million NOK in gains three years later. However, he is concerned about this kind of programmers being impossible to breed within the prosperous culture of Finn, encouraging total balance between work, leisure and family. Finn is simply performing too well to capacitate the feasibility of a true entrepreneurial environment within the same office walls, and that is also the main reason for his suggestion to completely extract these environments from Finn's current physical location:

> **"It is all about burning platform. All entrepreneurs I know, and everyone who has ever written about entrepreneurship are completely aligned on this matter. People need to feel that something is burning underneath their feet. I think that's stimulating, it's good. I don't think people exactly get the feeling**

that things are burning around here." (Christian Haneborg)

Attitude towards continuous improvement Jørgensen confirms the absence of free experimentation in his former department and that, as he puts it, "a greater share of attention instead has been drawn to renovate the basement". This confirms the exploitative mindset in Finn's leading verticals, where the superior objective is to make the existing services even better. (Ullereng) There is an inherent culture in these departments to never be completely satisfied, always keep an open mind for even the perfect product to be improved, and realize that tomorrow might bring better ways of doing today's business. "That is why lean thinking works at Finn. We manage to apply the mindset without pushing it in people's faces", Ullereng concludes.

6.1.2 Exploration

Culture for intrapreneurial success Ever since the beginning in 2000, Finn has strongly encouraged personal projects, and integrated a culture for pushing people to accomplish and fulfill their own initiatives. (Asif, Haneborg) This culture has recently been materialized in the current corporate strategy, which now contains a section aiming to increase the level of experimentation across the organization. (Jørgensen) Ullereng confirms with an example:

> **"Back in my days at Bil, I once suggested we should improve our output analysis and measurement activities. Then one Tuesday, I fought through a decision in the management team about instituting a new organizational section for these improvements. The immediately following Thursday, the incorporation of the Market and Sales Development section was communicated to the organization, as a response to my suggestion." Ole Kristian Ullereng**

Asif also confirms the internal culture encouraging intrapreneurial success. However, he highlights that submitting a myriad of ideas to Finnopp

doesn't quite cut it: "You must be prepared to personally pursue your proposals. If so, you'll experience that your suggestions are effectuated in the management team rather quickly." Further, he explains that management promotes trial and error attempts as a measure for employees to explore their own thoughts, and that this kind of experimentation even is allowed within the regular work hours: "As long as I deliver my numbers and results at deadline, and my ideas show evidence of at least a small potential of success, I'm free to organize my own schedule and get full support from the entire section." (Asif) If an exciting idea is conceived over lunch, management not only approves, but encourages him to spend the afternoon doing some experiments: "Finn engages in several such projects even when the anticipated chance of success is less than 100%."

Ullereng points out that the conception of ideas over lunch, and the afternoon experimentation, is exactly how Penger originated, and finally was taken along the path to corporate funding. Haneborg, the inventor, does also appreciate the complete work hour sovereignty Finn has given its employees: "I can't tell exactly if I developed Penger between 8 and 4 or in the evening. Luckily, we do not have to make that kind of distinction." He found time to cope with both his daily duties and the new idea. However, he admits that the major part of his attention was directed at the venture, partially due to the pushing culture: "I received support and positive feedback from all directions. None of the feedback was negatively pitched." He did have to make some shortcuts to finally get Penger operational—shortcuts he believes were crucial for the success. Also, he is left with the feeling of being trusted to try again if Penger didn't work: "Part of the great culture here is to accept that it may take five failures to produce that one great success." (Haneborg)

Directed experimentation ensures outcomes within the scope of corporate strategy Ullereng refuses that Finn would be able to conceive fundamentally new ideas without experimentation, but does not encourage completely unbound experimentation either. He advocates a

line of action where the team is preliminary instructed what issues will be subject to different try-outs during a given day or project, called directed experimentation. However, before any experiments are allowed to happen, he is careful about allocating the mental and formal ownership to all team members in advance. He is completely aligned with Ribe Anderssen and Jørgensen when it comes to involvement and allocation of mental ownership, and insists that the team "have to feel like they own the project themselves". An important point is to avoid the traditional, hierarchical corporation layout, where senior management makes decisions behind closed doors, and simply instructs the employees what to do. If the entire team shares the same sense of ownership, all members will be in complete control of where they're headed, and make every effort to get there—not question the reasons: "Once you succeed with establishing a mental ownership, the culture of never being completely satisfied will produce a significantly larger contribution to benefit the organization, because everyone knows where they're headed and what to look for." (Ullereng) Further, he mentions the need for micromanagement as a symptom of unsuccessful allocation of mental ownership.

Unbound experimentation is a powerful tool to produce innovation and challenge the present way of thinking, but might yield results inconsistent with the corporate strategy, and thus of no particular value for Finn. The need for still being able to capture the fragment of ideas that in fact do match the strategy is how Ullereng's managerial vision materialized: "We named it directed experimentation. For example, I might say to the team that right now, this is the field where the experiments should occur." Behind that articulated direction is a tight connection to the corporate and market strategies, and a firm sense of the implications for maintaining or even increasing brand equity. Still, the potential power of unbound experimentation and the great amount of creativity that lies with talented software developers are well appreciated at Finn. Several organizational initiatives have been arranged to discharge this power into potential business cases for Finn, organized as different events and internal competitions. In

addition, different schemes enabling developers to experiment further in their leisure time are also being tested. Such initiatives will be further investigated in Section 6.2.2.

Every project has an exploratory phase Even though Finn's workforce has an affectionate attitude towards continuous improvement, every project has an exploratory phase where lean thinking may be premature. (Ribe Anderssen) In market-driven projects, the objective of that first, exploratory phase will always be to either confirm or invalidate a customer need, and determine whether the business idea is entitled to life. "If not, you should cancel the entire project immediately, but if the market indicates a possible interest, you should be prepared to rewrite for scalability and performance. Thus, in that phase it's better to mock up a prototype fast, than to wait two years for perfection with no sense of market demand." (Ribe Anderssen)

The next objective in the exploratory phase is to examine the market and get as much customer feedback as possible: "In my opinion, the choice of technology is irrelevant in the exploratory phase, and the same goes for quality of programming—it's bound to be rewritten at some point anyway, when the feedback is to be processed. So get it out there, showcase it for the customers, and review what refinements or changes they want." (Ribe Anderssen) An important principle in these stages is to allow the executive team to include the programmers of their choice, to match the intrapreneurial work style of new product introductions: "The critical phase for every new campaign is the initial phase, where we might find ourselves in a situation where personal skills and passion may be the ultimate determinant for the campaign's success or failure." (Ribe Anderssen) In this phase, excess lean thinking would delay the point in time of which the market demand is confirmed. Thus, if the market demand is not confirmed, but rather invalidated, every effort made in the project that far would be in vain anyway, and should be minimized.

Finally, there is a third phase, where the emphasis now is on operation,

complete automation and maximization of effectiveness. At this point, market demand should be thoroughly confirmed, and this is where continuous improvement and lean thinking should be introduced. (Ribe Anderssen)

6.2 Level 2: The Tool

Maintain enough slack to produce good ideas, but enough lean to prevent losing them Jørgensen is certain that Finn needs to cope with both lean and slack tools simultaneously in order to achieve sustained competitive advantage, with a very specific amount of each. In general, he is serious about every organizational action having to be justified by a tangible customer need or anticipated market demand. Further, all actions should be conducted within a structural framework that ensures your journey from A and arrival at B.

Organizational slack is the tool to kick-off every new campaign; however it could quickly get out of hand if no boundaries are defined:

> **"We severely deplete our resources when the experimentation is running in too many directions at once. It's all over stock and stone, and it's the process here that has to be lean. There is a low level of structure in my department; you need some metals to attach to once in awhile. We want to be in that successful carriage instead of driving four trains simultaneously." (Bent Ove Jørgensen)**

The thought here is obviously to comply with Ullereng's philosophy for directed experimentation, to ensure that the outcome harmonizes with corporate and market strategy. Slowly but surely, more processes are constantly being applied as the projects matures.

The challenge is not to produce enough good ideas; the employees are too passionate for that to be a problem. Rather, Jørgensen is worried that some of their good ideas might be lost due to lack of proper processes, or not followed up due to lack of ownership. He suggests that this may be a good

point to allocate mental ownership, and systems to capture ideas. Also, he highlights the importance of maintaining a certain freedom of action, and acknowledges Ribe Anderssen's philosophy of every project having a slack phase, in which it's too early to apply the exploitative mindset:

> **"Too much lean thinking will make you take the same road to school every day. Conversely, too much slack makes you running around randomly. I want the one in the middle, that doesn't ruin creativity." (Bent Ove Jørgensen)**

Ad hoc pitching When it comes to the use of organizational tools to drive profitability, Asif underscores the value of pitching his ideas ad hoc in the work landscape. The multitude of recurring meetings in each department is an effective channel of running your thoughts past the management and co-workers: "We have monthly department meetings, regular Monday morning meetings, weekly sales meetings, section meetings and whiteboard meetings." The threshold for pitching new concepts here is low. Moreover, it may even be superfluous to every time attempt to fit the pitch into one specific meeting, if rather coffee breaks and random water cooler encounters were used more effectively. Asif believes that the road through tools such as Finnopp and the lean principles never will be able to compete with ad hoc pitching on expeditiousness: "If nothing happens with your awesome idea, those *kudos* on Finnopp suddenly aren't worth that much any more."

6.2.1 Lean

Finn Way of Innovation to implement seven lean principles Finn Way of Innovation is an integral part of Finn's strategy to utilize the tool of lean thinking in the organization. The department currently employs three experts in lean thinking and innovation, with a philosophy of structure enabling innovation. They have developed a set of seven principles to implement lean thinking in the organization, employed through workshops in each department. The first principle is to elucidate internal processes and

results, and a technique to describe the current modus operandi. The second is the principle of continuous improvement, of both products and processes. The third is to identify the set of projects and tasks resulting in maximum customer value, and give priority to such activities. The fourth principle is to seize a fixed measure of effect, to be able to continuously monitor outcome of activities. The fifth is to ensure involvement and enlightenment. The sixth is communication. The seventh and final principle is to assure quality of work.

They have also established a framework encapsulating the entire innovation process, from idea conception all the way to market entry and success. They recognized the need for employees to know what to do if they should encounter an interesting idea or think of something that might be a successful new Finn product, feature or fix. (Kristiansen & Vangstein) For the idea conception phase, they have established processes for everything that happens along the path from taking the first, initial though to a presentable business case. First, they have established routines for where in the organization to inquire to get a preliminary feasibility assessment, and what people in each department these inquiries should be addressed to. Then, a protocol has been designed including every single aspect that has to be taken into consideration when moving forward and working out the business case, including specific schemes for financial support, guidelines for how to apply and templates for constructing a presentation. The framework is compiled to ensure that all employees know the next step in this process at any given point in time. (Kristiansen & Vangstein)

Further, they have established processes for the market analysis phase. At this point the framework contains a set of standards, tools and resources available to employees working on intrapreneurial campaigns, in addition to a recommended line of action on how to assess the market demand and customer requirements. Finn Way of Innovation strongly encourages people to define some experiments of fixed length and with a couple of articulated hypotheses, before conducting the market investigation. This will prevent employees from running in every direction at once, as Jørgensen also

highlights as unfortunate. "Our sole objective here is the principle itself, of defining some experiments, a pilot, or at least some superior questions to answer." (Kristiansen & Vangstein) For the development phase, they have established processes for prioritizing, urging all employees engaging in intrapreneurial processes to deliberate their reasons for every action or experiment conducted. That way, it will become clear what tasks to prioritize:

> **"One team now knows how to prioritize, and is conscious about why certain tasks need to be carried out before others. Another team wants to do everything simultaneously. They're not able to see that one thing could trigger the other, and why one particular sequence of tasks is better than another." (Bente Mari Kristiansen)**

Rationalize ideas based on intuition Another way the lean experts interpret lean thinking is to eliminate all traces of pure intuition as foundation for decision-making, still left in the organization from the days Finn was a true start-up company:

> **"In those days, it was all about gut feeling and some geniuses devising their department what to do. That's a problem in the long-term perspective. We want to get rid of that gut feeling, or at least force people to articulate it clearly so it can be discussed." (Bjørn Henrik Vangstein)**

He refuses that their mission is to completely eliminate intuition, and acknowledges that several profitable business cases in Finn has come into existence purely through someone's gut feeling, creativity and personal passion.

Still, the gut feeling has to be articulated: "At some point, you must be able to justify and argue for your idea in an open forum. You must be able to tell your co-workers what you're trying to obtain." (Vangstein) To clarify

their own message, Kristiansen and Vangstein suggest that defining some KPIs for the idea is a good way to communicate the intuition to others, and make it more rational. Further, they propose small experiments as a natural extension of these KPIs, and an affordable method of assessing their feasibility.

Finn Way of Innovation provides certification of internal departments according to the amount of lean thinking they are able to implement in everyday business. Bil is currently the department with the highest level certificate, and at this level they monitor even the smallest change to products or features. Kristiansen tells a simple, but convincing example about Bil moving a block of hyperlinks from the right to the left side of the site, after which they experienced a rise in conversion rate of 500%: "If they didn't monitor the outcome, they would never record the 500% increase or know what caused it."

A second example, again from Bil, included an experiment in which a new module was to be introduced on their front page. The module would generate revenues for Finn each time a visitor clicked, and thus, the obvious KPI was the daily conversion rate on this button.

> **"At first, they made a flashy, colorful and ostentatious design, convinced that visual attraction would speed up conversion. It did not accelerate significantly. A couple of weeks later, they changed the design to the totally opposite—pale, colorless and discreet—and experienced that customers now thought the button was part of the site functionality, and conversion rate increased accordingly." (Bente Mari Kristiansen)**

Thus, Bil's initial gut feeling was rejected, but they managed to still profit from it, by rationalizing the intuition.

Mental ownership to routine work Ribe Anderssen is confident that Finn will profit from limiting the amount of time his chief architects spend

writing code to 50%. In most technology firms, people would expect the programmers to spend most of their time writing code. However, when forcing the amount of time programmers have to spend code writing to approach 100%, they will lose their personal motivation and drive to deliver. At the extreme point, they will regard themselves as robots delivering commissioned work to the organization. On the other hand, Ribe Anderssen encourages his employees to spend the other half helping others, audit adjacent teams or explore novel solutions to existing challenges. His basic philosophy is to establish a sense of personal ownership through self-governed time.

6.2.2 Organizational Slack

Escaping the exploitative culture Ever since the beginning, Finn has administered a broad adoption of slack in the organization. More recently, several of the slack gambits have been invoked as countermeasures to the exploitative mindset that established corporate environments incur. Even though Christian Haneborg has not yet succeeded in transferring intrapreneurial activity outside the building, they are more deliberate on the necessary separation: "That's how we configure pure experimental innovation now, we establish separate environments." (Ullereng) Further, he explains how he gradually realized that unbounded experimentation often was being relegated in the everyday business operation, and how the need for maintaining this kind of experimentation subsequently emerged.

The most recent addition to the portfolio of slack initiatives is the cross-corporate department New Markets, currently in the early development phase and managed by Ullereng. The new department will have one single mission—to identify new market opportunities and gather leads to such from all vertical markets within Finn. New Markets will be a pure innovative environment with fairly free reign, staffed by business developers and concept developers. It may be reminiscent of a venture capital company identifying opportunities.

Kristiansen and Vangstein are concerned that some of the efforts to facilitate free experimentation lack sufficient procedures to ensure a decent follow-up of all the promising contributions. The efforts include Finnopp, Sandbox, Finnovasjon and Finnawards, and the employees' attitude towards such initiatives will be investigated further in the next few paragraphs.

Finnopp Since the beginning a couple of years back, the intra-organizational social community Finnopp has experienced an exponential growth in number of submitted ideas. The subject scope in which the system receives input is also constantly increasing, making it challenging to apply sufficient structure to track every single contribution. Jørgensen elaborates: "As of today, it's more like a house of problems. Many of the suggestions are simply rubble and broken bricks." Haneborg points out the significant decline in the number of ideas from Finnopp being realized over the last couple of years: "In my opinion, Finnopp didn't work, and the ideas winning the *kudos* wasn't critical enough for business. I think we started to get too many ideas like 'I want to install water coolers in the gym'."

The lack of a satisfactory structure is starting to undermine the system itself. Jørgensen's department tried to arrange one weekly meeting to discuss possible beneficial ideas to extract from Finnopp, only to experience that it constantly became subject to deferral: "Finnopp has simply abased itself to a bottleneck. Or a heel of Achilles you feel like you haven't stretched for a while." He concurs with Asif, and acknowledges that doing ad hoc pitches in the landscape is more effective. Also, as a manager, he is more market-driven, and fond of rather spending his time as a fly on the market wall than within internal systems.

Sandbox Ullereng created Sandbox with the intention of offering his teams a novel and unconventional method of conceiving completely new ideas. Haneborg agrees that the model is exciting, but does not seem to think it has been successful so far: "Time will tell if the possible pay is enticement enough for the programmers, but the potential may be too small.

You'll never become the new Steve Jobs with Sandbox, but make a couple of hundred thousand kroner extra if you sacrifice a lot of time and energy." In addition, he believes many people are happy with their job situation as it is, and won't go through the hassle of Sandbox for, what he believes, is too low pay.

Ribe Anderssen points out that the issue of mental ownership applies to this situation. Even though Finn's employees are extremely creative, there will always be an amount of this creativity mismatching the corporate strategy, and thus won't be allocated resources from the regular operational budget. Sandbox was designed as a measure to maintain all the creativity within Finn nevertheless. However, when an idea is being developed in Sandbox, it is, per definition, outside the corporate strategy. As long as this equilibrium persist, Finn will not allocate neither more resources nor mental ownership to any other than the idea originator. (Ribe Anderssen)

Apply exploratory work style to everyday duties Jørgensen appreciates organizational slack as a tool to generate innovation, and takes great pleasure in implementing the corresponding work style. Being the head of several sales and product development teams, he is the one receiving and handling requests from employees who occasionally want to replace regular work hours with unbound experimentation and participate in the above-mentioned slack initiatives. He accepts, and even encourages his employees to engage in such activities:

> **"I think it's awesome. I think it will make people feel more relaxed in a long-term perspective. It's innovation right there. Generally, we have a rigid work style, with one-year strategy directions, decomposed into quarterly roadmaps, and three-week sprints to tread the roadmaps. Thus, to employ slack is absolutely necessary to counterbalance all that structure." (Bent Ove Jørgensen)**

Jørgensen contemplates the operational pace at Finn: "In the daily business we have constraints on both time and resources, and there's always a

lot of things to do. Besides, when all deliberate strategy in the organization ultimately has to originate from a customer need, it limits the amount of crazy experimentation we're able to do." In his opinion, there should be more, but he has realized that there simply aren't enough available time slots in the roadmap to make it happen. To compensate, he often implements some of the principles to everyday duties.

6.3 Level 3: The Result

There is a conspicuous convention in Finn of always monitoring the outcomes of all activities. Prior to start, all projects are assigned specific key performance indicators (KPIs), set individually and adjusted by the team members. The KPIs may vary between different projects; the only requirement is for them to originate from a confirmed customer need. (Kristiansen & Vangstein)

An average set of performance indicators may include 5-7 for each project, determined by the team members and approved by the product manager or sales manager in each market vertical. "The objective being monitored might be to produce a certain increase in site traffic, demonstrate a substantial decline in complaints received by customer support, or turn out a surge in pan-site conversion rate." (Kristiansen & Vangstein) In addition, the team members themselves are being monitored on fixed indicators—result, quality and activity. For example, if a key account requires at least three visits from Finn each year, that's one of the dimensions the team members will be scored along. (Asif)

Finn is not only monitoring the result of its activities, but also the trajectory of getting there:

> **"We do also have some process performance indicators, in addition to the conventional project performance indicators. It's done by simply denoting different activities by red, yellow and green, and execute actions accordingly. This is carried out every week." (Bent Ove Jørgensen)**

Mixing the tools damages both Lean thinking and organizational slack are the tools companies may employ to be profitable through effectiveness and innovation, respectively. Ole Kristian Ullereng is clear when he dissuades from mixing the two of them, and encourages people working with slack to relieve themselves from other duties. If not, the outcome will affect both effectiveness and innovation disadvantageously. He points again to the challenges of running innovation in established corporate environments: "The innovation will be half-hearted, and the original product will fall technically behind." Thus, to some extent he disagrees with Jørgensen about applying exploratory work style to everyday duties.

6.3.1 Effectiveness

Excess lean kills innovation Finn's excellence in the implementation of lean thinking has risen from the numerous mistakes when Finn a couple of years ago agreed to formally transform the organization from an overgrown start-up to a large corporation. The change process brought a number of misinterpreted lean principles: "I guess we started out wanting to become Toyota, having the methods as objectives. It didn't work." (Ullereng)

They required all departments to implement Scrum, only to discover that all the processes killed creative thinking and innovation. They required all three-week sprints to be concluded with contrived deliveries, resulting in the launch of incomplete products every three weeks. "Customers are fast enough to turn their back on a product forever if it isn't satisfying the first time. At that point, the road back for the product creator is so extremely long." (Ullereng)

As of today, they are conscious about keeping the level of rigidity below a certain threshold: "Once you force too many rigid procedures into the workflow, you lose all creativity. You turn employees into robots, and in my opinion, that's wrong." (Jørgensen) "Finn has now reached a common understanding of lean processes not being an objective itself, but a tool to apply to everyday duties. Finn Way of Innovation is working on the theories,

and we are working on the implementation." (Ullereng)

Strategic attainment occupies every time slot available If effectiveness were defined to measure the amount of time spent to attain the corporate strategy direction and roadmaps, it would likely approach 100% at Finn. When a strategic goal is locked down to the yearly roadmap, the commitment to achieve that goal is consolidated both internally and externally. "Even though the roadmap planning now occurs quarterly, the time surplus of running secondary projects in parallel is extremely limited, once the roadmap is locked in. It will be a question of which quarter to put it", Jørgensen explains. At that level, such projects will be subject to a thorough evaluation with respect to both value and risks, before an attempt is made to push it through the eye of the needle.

Effectiveness is determined by quality Ribe Anderssen is clear that the base IT architecture at Finn has to meet a satisfactory quality level at all times, to prevent the code from containing bugs and errors: "In those cases, modules have to be rewritten, and done over and over again. Consequently, the overall manpower effectiveness is reduced." He ascribes part of the problem to previously malfunctioning feedback loops, which he recently has completed an internal project to improve: "If I were to highlight one successful attainment from last year, it would be this."

The feedback loop improvement project raises awareness on the performance of other deliveries, through visual aids such as indicators, red arrows and screens strategically located around the work landscape. The attributes being measured are quality of code and technical debt. (Ribe Anderssen)

Success counteracts cost consciousness Being one of the most profitable companies in Norway, Finn has never dismissed a single employee as a result of expenditure cuts. Overheads are not a general concern in the organization, and Haneborg believes Finn could be operated more effectively:

"I think Finn could be run more cost-effectively. And I think it could be run more cost-effectively without significantly influencing the innovation rate."

6.3.2 Innovation rate

Slack work style no barrier for effectiveness Most people at Finn believe that innovation is necessary to achieve sustained competitive advantage, and that organizational slack in the proper departments is the appropriate tool to fuel it. According to the dictum of exploratory mindset, such departments will never be able to compete with lean departments on effectiveness. However, Jørgensen suggests that in some cases, slack work style does not necessarily imply decreased effectiveness at all: "Apart from staffing, we have very few other expense accounts. Beyond that, we do not have to pay designated programmers or administer continuous improvement."

Haneborg introduces another interesting perspective when he considers the appreciated working conditions and perquisites available to Finn employees, as described in the beginning of Section 6. People often come in late and leave early, they have the weekend trips to European capitals and Norwegian mountains and they are trusted with fulfilling their duties when working from home. "I think that when people are happy, they are also more effective." (Haneborg) Obviously, keeping a slack culture may actually contribute positively towards the level of effectiveness.

Lack of strategic anchoring yields useless exploratory results After employing organizational slack, different departments have experienced that the outcome of unbound experimentation often lies outside the catchment area of corporate strategy. Thus, the results will by definition not receive further funding by Finn. For instance, Eiendom recently launched a series of new features, including a carousel of pictures to each classifieds ad, a voting mechanism to move the images up or down, and an interactive floor plan where customers could insert furniture and move it around. The operation of all these features had to be ceased within just a short time period after

their launch. (Jørgensen)

This proves the point of directed experimentation as a necessary measure to harness the powerful, but unpredictable outcomes of unbound organizational slack.

6.4 Level 4: Profit

Exploitative Path

Torget is the most strategic valuable market vertical in Finn, and currently a distinct operator of the exploitative path to profit. With 1.2 million page views each week, Torget is credited for a fair amount of Finn's nation-wide brand recognition. Even though other markets may have slightly higher profit margins, this unsurpassable traffic generation is the origin of its strategic importance. (Ullereng)

All mature markets like Torget, including Eiendom and Bil, have thoroughly verified business models, and are running with profit. (Jørgensen) Substantial changes in these markets will necessarily affect the entire organization: "If we mess up, not only do we ruin our own projects, but we compromise Finn's entire brand equity." (Ullereng) Thus, an unsuccessful experiment within these markets could possibly incur repercussions by far exceeding the experiment itself. Even tiny changes or incremental feature improvements result in the customer support center drowning in phone calls with suggestions and complaints. (Ullereng)

Another example is the sub-markets in Eiendom, linking Finn's customers to third-party suppliers of financial services. "If we alter the links improperly, it could cost millions of kroner if the traffic to these sub-markets decreases." (Jørgensen) With millions at stake, the procedures for making changes grow accordingly, to ensure that everyone watches their step.

"My first course of action after being appointed CEO of Torget was to deliberately eliminate all experimentation. Any such activity, except on the feature level, should be conducted outside Torget, to mitigate the

risk of compromising the brand." (Ullereng) He stresses once again the challenges of running innovation in established corporate environments, and adds that with Torget's comprehensive maintenance and upkeep operations, it's challenging for the same team to relieve themselves sufficiently from other duties to produce good innovation anyway.

Exploratory Path

Oppdrag is one of the youngest market verticals in Finn, and currently a distinct operator of the exploratory path to profit. The young markets are of no particular strategic value to Finn yet, thus any experimentation here is conducted solely with financial risk. (Ullereng) Jørgensen insinuates that exploration may actually be absolutely necessary, to avoid simply duplicating competitors, but rather challenge them: "It's obvious that Oppdrag has to make use of organizational slack to a larger extent than Eiendom. They have still not decided on a final course to set, and need slack to decide on a final, future vision to work towards." Further, it is an innate property of younger projects to take a more exploratory work style. (Kristiansen & Vangstein)

Ullereng suggests that this is where it went wrong for Sesam, the former Norwegian search and directory gateway: "They tried to copy both Gule Sider and Google at the same time. They came in second in both categories, and it didn't work." As opposed to Torget, Oppdrag is still inside-out driven, and independent of most external stakeholders. Where Eiendom has to run all minor changes and improvements through their strategic partners prior to implementation, Oppdrag has the freedom of doing the exact opposite, and just announce the changes publicly as they are carried out. (Jørgensen)

Penger was forced to detach from the brand to reduce strategic risk. The nature of its services includes collecting and managing sensitive information, like people's national identity numbers, income tax forms and credit card statements. A fatal error in sensitive information management will in most cases force the service in question to shut down immediately, but by separating the project into an all-new brand, taking down the rest of Finn

simultaneously is prevented. "The option of putting all the blame on a brand with no current value is a value itself, versus developing everything within Finn and risking a brand worth five billion kroner." (Haneborg) Thus, it takes some of the pressure of, and relaxes some of the exploratory boundary constraints from the entire Penger project.

Haneborg declares that when following the exploratory path to profit, it's important to keep in mind that most of the attempts will in fact fail: "If you launch five new market campaigns and one of them is successful, it's still a great success." Finn has yearly revenues of 1 billion kroner and a profit of 400 million kroner (Edvardsen), making the market positions the company controls extremely attractive. It might be easy to underestimate the developers' stake in a project if they don't initially have sufficient mental ownership. However, many of them have not yet settled with a family, and have plenty of time to work; it's all about giving the appropriate incentives: "Design a deal that gives the developers three million kroner each if a certain set of objectives is reached within three years. It will cost the company 30 million kroner, but if that enables you to establish a brand new market vertical position, it could presumably be one of the best company investments in history." (Haneborg)

7 Theoretical and Empirical juxtaposition of the Pathway Framework

Section 5 has introduced a conceptual way of structuring the academic theory about exploitation and exploration, and Section 6 has provided empirical insights into how Finn contemplates the same concept. The current section will juxtapose these two sections, to investigate the extent of which the empirical material validates the suggested framework. The four levels will be examined sequentially, to highlight similarities and differences between the theoretical material and the case study data from Finn.

7.1 Level 1: The Mindset

The framework is introduced with the first level being a choice of common organizational mindset as the fundament for future strategy formation. The empirical material on this level confirms that exploitation and exploration in fact are two distinct mindsets, but that the choice may already be determined by the organization's progression through the S curve.

Exploitation is claimed to build on the organization's past, while exploration is claimed to create future opportunities different from this past. The data from Torget and Oppdrag does confirm these hypotheses. Torget is currently in a distinct exploitative mode as the main site traffic driver at Finn, and does indeed build on Finn's past, being one of the earliest market verticals Finn established. However, a shortcoming of the framework may be that yet no indications are present that Torget will be less successful in the future. Contrary, Oppdrag is in an exploratory mode, not yet decided on a strategic objective. Whether the market will be an integral part of Finn's future business is difficult to hypothesize at this point, but no empirical material indicates the opposite. Either way, resources are currently being disbursed to finally settle the future strategic objective of Oppdrag through experimentation, according to the framework's description of an exploratory department.

Next, one dictum is presented for each organizational mindset; discipline and effectiveness for exploitation and learning by doing and trial and error for exploration. For the exploitative part, the empirical material has rejected the framework's hypothesis, as the departments with the most evident exploitative mindset don't seem to be characterized by any excess discipline or effectiveness at all. They have remarkably flexible schedules, and clear potential of operating more cost-consciously, as pointed out by Ullereng and Haneborg, respectively. For the exploratory part, the framework's hypothesis holds. The developing departments are indeed characterized by learning by doing and trial and error. Asif and Haneborg points out, respectively, that Finn indeed has an integrated culture of encouraging intrapreneurial success,

and that the organization is appropriately configured to actually get the five failures necessary before the one success.

The empirical material in this case study completely rejects the framework's point of most products conceived from exploratory strategy being in direct competition with the organization's existing products. This is not the case at Finn, as none of the exploratory initiatives have the potential of ever being able to cannibalize the exploitative markets.

7.2 Level 2: The Tool

Generally speaking, the empirical material confirms that the tools being implemented in the different markets indeed do match the corresponding mindsets determined by the S curve in each respective department. The exploitative departments have the highest penetration rate of lean principles, all ranking in top positions of Finn Way of Innovation's certification system. Simultaneously, the exploratory departments are setting up separate, closed environments to employ organizational slack within.

Further, the framework states that organizations driven by an exploratory mindset will not succeed in using lean thinking, and conversely that organizations driven by an exploitative mindset will not succeed in using extensive organizational slack. The first bisection of the hypotheses has been completely confirmed, by Ribe Anderssen indicating every project's exploratory phase, where the sole objective is to reach the point of market demand confirmation or invalidation with the least possible amount of time spent. Also, Ullereng points out that excess lean will kill innovation, an outcome not welcome in the exploratory phase. Therefore, lean thinking does not contribute to exploratory departments succeeding. However, the second bisection of the hypotheses has been partly rejected, as Jørgensen points out that slack work style does not represent a barrier for effectiveness at all, owing to the small number of expenditures in this phase apart from staffing. Several departments within Finn are driven by an exploitative mindset, but have still succeeded with implementing light versions of organizational

slack. Jørgensen and Haneborg observe, respectively, that excess lean will turn humans into robots and that people are more effective when they feel comfortable and enjoy themselves at work. If organizational slack is interpreted as the antidote for the kind of excess lean that could turn humans into robots, a logical deduction would yield that slack work style actually leads to increased effectiveness.

One final issue that needs to be discussed is the framework's drawback of not being able to explain why Torget, in the distinct exploitative mode, still establishes separate environments for experimentation outside the vertical itself. In true lean philosophy, the department trusts that its customers know what they want, but if they don't, separate exploratory arenas have been established just in case. The issue remains unsolved, and is suggested for further research. One hypothesis for such further research is that lean principles bring different means of implementation in service industry than in the product industry, by allowing some sort of experimentation.

7.3 Level 3: The Result

Finn has experienced an extraordinary success since its establishment in 2000, and may not even be representative for similar cases. But even though a potential for raising cost awareness has been shown, the established vertical markets do excel at financial performance. Further, Ullereng's efforts to deliberately eliminate all experimentation from Torget confirm that the exploitative markets do not expect a particularly high innovation rate. This is consistent with the framework, as innovation is fostered through slack environments rather than lean. However, Jørgensen again points out that organizational slack not necessarily is a barrier for effectiveness. This is inconsistent with the framework, as the framework suggests that departments with exploratory mindsets should not expect a particularly high effectiveness performance.

7.4 Level 4: Profit

There is no evidence that anyone within Finn questions the idea of profit maximization as a fundamental attribute of all corporations. If every department in Finn is considered individually, the analysis has confirmed that the pathways to profit is an acceptable way of structuring the paradox, and that Finn's employees in general acknowledge the concept.

In Section 5, the analysis uncovered a certain unawareness in some parts of the literature about the existence of these explicit pathways to profit. Even though Finn appears more conscious about the concept, examples of the opposite are still found: "We are in the middle of a certification process, where the department with the highest level certificate has the highest penetration rate of lean principles. With level 3 out of 4, Motor currently has the best score, and is accordingly the most innovative department." (Jørgensen) Thus, a direct line is incorrectly drawn from high penetration rate of lean principles to high innovation rate, indicating some confusion. Retaining the pole position in lean principle penetration should rather be interpreted as having the best chances among the other exploitative departments to succeed in pursuing that particular path to profit, not as excelling in the expected outcome of the opposite strategy. Top level lean certification might perfectly well lead to organization-wide star performance in profit, but that path does not intersect top innovation rate, and the line should instead be drawn from lean penetration rate directly to profit, through effectiveness.

Still, the overall level of awareness regarding the two paths is still high in Finn. Torget has previously been presented as perhaps the most deliberate employer of exploitative strategy, and the choice appears consistent, as the department does not struggle to immediately implement procedures to allow innovation. Correspondingly, they do not expect particularly high innovation rate. Conversely, Oppdrag is right now one of the most deliberate employers of exploratory strategy, and does not struggle to implement lean principles prematurely, before an overall strategy direction has been set.

Correspondingly, they do not expect to perform particularly good on profit margins yet. The empirical material is inconclusive whether the paths are leading to two different kind of profit; short-term and long-term, respectively.

Despite some independent hypotheses being rejected, it is in the authors' view that sufficient evidence has been produced in the current section to conclude that the framework's theoretical concept of exploitation and exploration being two distinct pathways to profit has been decisively confirmed by the empirical material.

8 General Applicability of the Pathway Framework

The previous sections have presented considerable empirical evidence that the case company does concur with the pivotal ideas of the Pathway Framework. The material identifies several areas in which Finn's way of thinking coincide with features of the framework. In general, exploitation and exploration has been recognized as different mindsets in different departments, lean principles and organizational slack has been identified as institutionalized tools, and both effectiveness and innovation rate are key performance indicators used within Finn.

8.1 Similarities

The analysis in the previous section highlighted some of the most important similarities and differences. First, it was confirmed that exploitation builds on the organization's past, while exploration creates future opportunities different from this past. Second, it was confirmed that exploratory departments in fact are characterized by learning by doing and trial and error. Third, it was confirmed that lean thinking is employed as the tool in exploitative departments, and organizational slack as the tool in exploratory departments. Fourth, it was confirmed that exploratory departments do

not benefit from premature implementation of lean principles. Fifth, it was confirmed that exploitative markets do not expect a particularly high innovation rate.

8.2 Differences

However, there are some key points where the hypotheses and empirical material differ. First, the framework claims that exploitative departments are characterized by abundant discipline. This has been rejected with flexible schedules and potential for improving cost-effectiveness performance. Second, the framework claims that products conceived from exploratory strategy often will be in direct competition with the organization's existing products. This is not the case in Finn, where none of the new initiatives have potential of cannibalizing existing services. Third, the framework claims that organizations driven by an exploitative mindset not will succeed in using organizational slack. Light versions have been employed in these departments without affecting the effectiveness. Fourth, the framework suggests that departments with exploratory mindsets not should expect a particularly high effectiveness performance. While the exact opposite is not the situation either, the point has been invalidated with evidence of slack work style not necessarily being a barrier for effectiveness.

8.3 General Applicability

The framework might be a valid approximation for the way of thinking within individual departments. However, it is still unable to explain why Torget as an exploitative market establishes separate environments for experimentation. Further difficulties are encountered when considering Finn as a single, organizational entity. The hypothesis about exploitation and exploration being two mutually exclusive choices for organizational strategy fails to model the case company adequately, as it is evident that Finn clearly manages to follow both paths simultaneously.

The framework's applicability may thus be limited to corporations or single departments located at either extreme point, such as Eiendom and Oppdrag, or a dairy and a marketing firm. Together with the listed differences, this calls for a new discussion about the exploitation/exploration paradox. An increasing part of the scholars in the classic organizational field of study now supports the idea of combining exploitation and exploration, rather than consider them mutually exclusive choices for organizational strategy. (Chen and Taylor, 2009) Organizations that succeed in capturing the best concepts from both extremes will be the most beneficial and competitive in the long term. (Andriopoulos and Lewis, 2009; Chen and Taylor, 2009) The next part will address the issue of balancing the paradox, through intermixing the best ideas of the two extremes, rather than consider them two opposing concepts of a paradox.

Part III

Solving the Paradox

With the hypothesis about exploitation and exploration as two mutually exclusive strategies being rejected in Part II, the current part will seek to provide an understanding about how mature organizations rather can solve this paradox to achieve ambidexterity. It will accordingly be suggested that the two extreme points might not be a contradiction after all, based on literature proposing that organizations can be able to manage both extremes simultaneously. Different configurations and strategies an organization can employ in order to achieve ambidexterity will be presented as the Ambidexterity Framework, summarized by an overview map to assist managers in the process of choosing strategies.

9 The Ambidexterity Framework: a New Theoretical Framework for Ambidexterity Strategies

9.1 Literature review

9.1.1 The Co-Existence of Exploitation and Exploration

Paradoxes often describe conflicting demands, opposing perspectives, or seemingly illogical findings. (Lewis, 2000) A paradox often results in a tug-of war between the two extremes. Successfully managing a paradox does not mean eliminating it, but rather tapping into its energizing potential. (Andriopoulos and Lewis, 2009) In the process of managing tensions, it is optimal to capture both extremes in a creative way. (Eisenhardt, 2000, cited in Andriopoulos and Lewis, 2009) The ideal outcome has been described as balance. Such balance does not denote a mediocre split

or bland compromise, but truly excelling at both extremes. (Atuahene-Gima, 2005) Paradoxes could be embraced in two ways—integration or differentiation. (Andriopoulos and Lewis, 2009) An integration strategy involves finding means of linking contradictions, which could promote synergies. Differentiation strategy invites the organization to focus on one of the paradoxical extremes only. (Lewis, 2000)

The exploitation/exploration paradox is rooted in the competition for scarce resources. March (1991) assumes that an organization's resources are finite. The absolute amount of resources is therefore to be divided between exploitative and exploratory efforts, respectively, which leads to managers choosing between the different strategies. Shapiro and Varian (1999) suggest that not all resources are finite. (Gupta et al., 2006) An organization's external environment allows for some resources, like information and knowledge, to be infinite. (Powell et al., 1996, cited in Gupta et al., 2006) This reasoning has facilitated studies on how organizations can manage both exploitation and exploration. These studies have been conducted on a variety of different topics, such as organizational learning (March, 1991), organizational design (Tushman and O'Reilly III, 2006), knowledge management (Brown and Duguid, 2001, cited in Lavie et al., 2010), and adaptation (Brown and Eisenhardt, 1997). The studies have further been conducted in various contexts, such as product innovation (He and Wong, 2004), strategic alliances (Rothaermel and Deeds, 2004; Rothaermel, 2001), and senior management teams (McGrath, 2001). Different levels of analysis have also been considered, including the individual level (Mom et al., 2007, cited in Lavie et al., 2010), business level (McGrath, 2001), corporate level (Benner and Tushman, 2003; Jansen et al., 2008), network level (Lavie and Rosenkopf, 2006; Rothaermel, 2001) and industry level (Gilsing and Nooteboom, 2006, cited in Lavie et al., 2010). These studies have promoted the development of proposition five in this thesis: *H5: The paradox can be balanced to combine exploitation and exploration.* The proposition will be examined theoretically in the current section, and further,

empirically in Section 10.

9.1.2 Ambidexterity

Several studies have proposed that the answer to the exploitation/exploration paradox is ambidexterity. (Duncan, 1976, cited in Andriopoulos and Lewis, 2009) In organizational literature, ambidexterity refers broadly to an organization's ability to pursue two disparate things at the same time. (Gibson and Birkinshaw, 2004b) The term includes the organization's ability to manage several tensions; effectiveness and flexibility, differentiation and low-cost strategic positioning, global integration and local responsibility, adaptability and alignment, and exploitation and exploration. (Duncan, 1976, cited in Gibson and Birkinshaw, 2004b)

The term *ambidextrous organization* in this context refers to an organization that manages to synchronously pursue both exploitation and exploration. (Gupta et al., 2006) These organizations excel at enabling incremental innovation by exploiting existing products, but also foster radical innovation by exploring new opportunities. (Yao et al., 2008; O'Reilly and Tushman, 2004) An ambidextrous organization that has the ability to be effective and innovative simultaneously will secure both short-term and long-term success, and thereby the ability to achieve sustained competitive advantage. (Abernathy, 1978, cited in Benner and Tushman, 2003)

Lavie et al. (2010) have viewed the context of which organizations manage to strive towards ambidexterity. The antecedents of exploitation and exploration include environmental factors, organizational factors and managerial biases. The environmental factors comprise environmental dynamism, exogenous shocks and competitive intensity, which are defined by the extent of unpredictable change in the organization's environment, sudden and unexpected environmental jolts beyond control of any organization, and the extent to which organizations are likely to maintain zero-sum relationship with one another as they compete for the same pool of limited resources, respectively. Organizational factors include absorptive capacity, slack

Internal	External
In-House	Outsource
Mergers & Acquisitions	Domain Separation

Table 2: Internal and External Strategies for Ambidexterity

resources, organizational structure, culture and identity, and organizational age and size. Finally, managerial biases include the senior management behavior ability to handle risk aversion, performance feedback, and how they contribute with past experience.

The context of an organization makes up the tension between exploitation and exploration. This tension is increased further by the organizations' trade-off created by resource allocation constraints, short-term versus long-term focus, and stability versus adaptability. An organization's tension can be reduced by what Lavie et al. (2010) refer to as modes of balancing. These modes are designed for organizations to be able to cope with the conflicting demands of exploitation and exploration, and are described in organizational literature as ambidexterity.

Duncan (1976) views ambidexterity in structural terms, and proposed that an organization should develop "dual structures" in order to achieve ambidexterity. (Gibson and Birkinshaw, 2004b) Further studies have suggested other strategies organizations can utilize to attain ambidexterity. These options can be applied by organizations as a single strategy or be used in collaboration between two or more strategies. Ambidexterity can be reached either by utilizing the organization's external environment and the actors within it, or by focusing solely on the organization itself, as illustrated in Table 2. Studies have also shown that it is important to consider senior management behavior when discussing ambidextrous organizations. (Raisch et al., 2009)

9.2 External Ambidexterity Strategies

According to Baden-Fuller and Volberda (1997), to overcome tensions, organizations can use internal adaption or outsource the change problem to others. (Siadat and Chaharmahali, 2010) Some studies have suggested that companies need to look externally in order to become ambidextrous, because a single company does not possess the necessary resources. (Powell et al., 1996, cited in Siadat and Chaharmahali, 2010) It is important for organizations to move beyond local search and take part in collaborations to maintain sustained competitive advantage. These collaborations allow for organizations to utilize external capabilities and resources that are not possessed internally. (Rosenkopf and Nerkar, 2001) There are two options when using external resources—outsourcing or domain separation (alliances and networks).

9.2.1 Outsourcing

Ellram and Billington (2001) define outsourcing as a transfer of the production of goods or services previously performed internally, to an external party. An organization could achieve ambidexterity by outsourcing either exploitative or exploratory operations. Chen and Taylor (2009) have described successful organizations that outsourced their exploratory efforts due to an exploitative internal focus (e.g. Toyota). An important thought to have in mind when considering outsourcing is that companies should never outsource core competencies.

9.2.2 Domain Separation

Another way to leverage external resources to solve the tension is domain separation, also referred to as alliances or networks (Lavie et al., 2010), where one domain focuses on exploitation and the other on exploration. Collaboration between organizations could have positive effects on both exploitation and exploration (Rothaermel and Deeds, 2004), and may

contribute to transfer experimental knowledge between organizations and facilitate collective learning. (Powell et al., 1996, cited in Holmqvist, 2004) The transfer and creation of knowledge between organizations provides additional input to the intra-organizational learning of the various collaborating partners. (Oliver, 2001, cited in Holmqvist, 2004)

Organizations have a tendency to eventually become behaviorally "closed" in the sense that they only experiences what is in accordance with its history. As Weick (1979) argued: "Organizations can and do act like closed systems (...) Organizational attentiveness to one's own past experience can continue unpunished for surprisingly long periods." (Holmqvist, 2004) Alliances between organizations allow them to exploit each other's experiences, but also to produce new experiences jointly with the other organizations. (Holmqvist, 2004)

Rothaermel and Deeds (2004) distinguish between exploitation domains with focus on development, and exploration domains with focus on research. A firm could enter an alliance either to exploit existing capabilities or to explore for new opportunities. Several studies have provided evidence for a positive relationship between a firm's alliances and innovativeness. Rosenkopf and Nerkar (2001) found empirical evidence that exploration beyond organizational boundaries had more impact than exploration within the boundaries. In addition, the risk of being obsolete will be high if companies solely use their internal knowledge and resources. Learning alliances allow firms to increase the speed of capability development and minimize uncertainties by acquiring and exploiting knowledge developed by others. (Rothaermel and Deeds, 2004)

There has been suggested that alliances often start with exploration and continue through exploitation alliances, and that the exploitation/exploration alliances occur in circles (Rothaermel and Deeds, 2004). When an organization has expanded its experience through exploration, the organization starts exploiting the new knowledge. (Holmqvist, 2004) The exploiting of this new knowledge often happens in conjunction with a partner

firm through exploitation alliances. (Rothaermel and Deeds, 2004)

9.3 Internal Ambidexterity Strategies

The exploitation/exploration tension could be solved by internal as well as external strategies. The internal strategies for ambidexterity may be categorized in in-house strategies by merger & acquisition strategies, respectively.

9.3.1 Mergers & Acquisitions

Mergers and acquisitions (M&A) have been proposed as a strategy for renewal and redirection. M&A could be initiated for several reasons, increasing shareholders' wealth, creating more opportunities for managers, fostering organizational legitimacy, and responding to pressure from the acquisitions service industry. (Jemison and Sitkin, 1986) Nemanich and Vera (2009) argue that this strategy can lead to ambidexterity, because M&As can contribute as a platform for growth and innovation, or contribute to create consistency and reduce costs.

In-house

Duncan (1976) suggested that the solution to ambidexterity was "dual structures", allowing for simultaneous pursuing of exploitation and exploration through separation. (Gibson and Birkinshaw, 2004b) Opponents of this view propose that the roadmap to ambidexterity is sequential attention to exploitation and exploration. (Siggelkow and Rivkin, 2006; Benner and Tushman, 2003; Siadat and Chaharmahali, 2010) Although some research suggest that sequential attention should be paid to exploitation and exploration, the majority of organizational ambidexterity research present a range of solutions that enables organizations to simultaneously pursue the two activities. (Raisch et al., 2009) Jansen et al. (2008) argue that by pursuing exploitative and exploratory activities simultaneously, organizations

will better overcome rapid changes in the environment and secure long-term success. The different views on how to attain ambidexterity are broadly divided in structural ambidexterity, contextual ambidexterity, and punctuated equilibrium. (Gupta et al., 2006; Andriopoulos and Lewis, 2009)

9.3.2 Structural Ambidexterity

This variety of ambidexterity involves dual organizational structures and strategies. The organization is differentiating its efforts to focus on either exploitation or exploration. (Gupta et al., 2006) Structural ambidexterity can be executed in two ways: spatial separation, also called task partitioning or "dual structures", and temporal separation, also called temporal partitioning. (Andriopoulos and Lewis, 2009; Gibson and Birkinshaw, 2004b)

Spatial Separation An organization utilizing spatial separation is made up of distinct work units, where some focus on exploitation and other on exploration. (Puranam et al., 2006, cited in Andriopoulos and Lewis, 2009) The work units that focus on exploration adopt an organic structure, while the work units that focus on exploitation adopt a mechanic structure. (Gibson and Birkinshaw, 2004b) The exploratory units are often small and decentralized, while the exploitative units are larger, more centralized with tight cultures and processes. (Benner and Tushman, 2003) The ambidexterity arises from parallel focus on exploitation and exploration, where the exploratory units provide variation from which senior team can learn and bet on the future, while exploitative units build capabilities for short-term effectiveness. (McGrath, 1997, cited in Benner and Tushman, 2003)

Birkinshaw and Gibson (2004) have described an example of spatial separation. The core business unit is given the responsibility to exploit existing capabilities in order to align with existing products and markets. The R&D department and business development group are given the job of exploring new markets, developing new technologies and keeping track of

emergent trends. By examining this type of spatial separation, Birkinshaw and Gibson (2004) discovered that separation in some cases could lead to isolation of R&D departments and business development groups, and thereby inhibit the acceptation of new ideas in the organization. A way to solve this lack of linkage is to create small business development units attached to every other regular business unit. (Birkinshaw and Gibson, 2004)

Temporal Separation The other way of exerting structural ambidexterity is temporal separation—a system in which an entire unit focuses on one set of tasks one day, then on a different set of tasks the next day. (McDonough and Leifer, 1983; Gibson and Birkinshaw, 2004b) In contrast to spatial separation, temporal separation allows exploitation and exploration to be pursued by the same business unit. (Puranam et al., 2006, cited in Andriopoulos and Lewis, 2009) Managers decide when the unit should focus on exploitation or exploration, and separate them based on time. (Gibson and Birkinshaw, 2004b) The length of the time periods is variable, and there is no evidence in the literature that the exploitation periods necessarily should have the same length as the exploration periods.

Studies comparing spatial and temporal separation have argued that exploitation/exploration tensions are best managed through spatial separation, because it ensures that each organizational unit is configured to the specific needs of its task environment. (Gibson and Birkinshaw, 2004b; Raisch et al., 2009)

Overall, structural ambidexterity, in form of spatial and temporal separation, allows the competing demands for exploitation and exploration to be met within an organization. The only constraint is that the strategy relies on structural solutions, which require managers to divide resources between groups and/or periods to meet the different needs. (Gibson and Birkinshaw, 2004b)

9.3.3 Contextual Ambidexterity

Another approach to balance exploitation and exploration is contextual ambidexterity, emphasizing behavioral and social means. It allows for employees to use their own judgment as to how they divide their time and attention between different activities. The individual employee has to make choices between exploitation oriented and exploration oriented activities in the context of his or her day-to-day work. (Birkinshaw and Gibson, 2004) This results in each individual delivering value to existing customers in his or her functional areas, but at the same time every individual is constantly watchful for changes in the environment, and acts accordingly. (Gibson and Birkinshaw, 2004b)

Organizations that utilize contextual ambidexterity are made up of a set of processes and systems that facilitate and encourage the organizational units to do contradictory tasks at the same time. Gibson and Birkinshaw (2004b) suggest that contextual ambidexterity emerges when leaders in a business unit develop a supportive organizational context. It is the processes and systems that collectively define a context, which allows for simultaneous exploitative and exploratory thinking. Managers facilitate supportive social processes, culture, and interpersonal relationships that promote ambidextrous thinking. (Birkinshaw and Gibson, 2004) This set of stimuli and pressures can shape individuals and collective behaviors towards ambidexterity. To be clear, the contextual ambidexterity does not arise from charismatic leadership, formal organization structure or "strong cultures". (Birkinshaw and Gibson, 2004)

Hard Elements The processes and systems promoting contextual ambidexterity could be summarized in four attributes: discipline, stretch, support and trust. (Ghoshal and Bartlett, 1994, cited in Gibson and Birkinshaw, 2004b) Discipline and stretch are categorized as hard elements, and encourage organizational members to push for ambidextrous goals. A disciplinary organization has established clear standards, and expectations

of performance and behavior. The system is open and genuine with rapid feedback and consistency in the application of sanctions. This organizational culture facilitates individuals to voluntarily strive to meet expectations. The other hard element is stretch, which leads individuals to voluntarily strive for more ambitious objectives. The organization establishes shared values and ambitions, which lead to development of a collective identity. (Gibson and Birkinshaw, 2004b; Carmeli and Halevi, 2009)

Soft Elements Too many hard elements could lead to burnout and disillusionment in the organization, and should therefore be implemented in combination with soft elements. The soft elements are support and trust. Support promotes members to offer assistance and countenance to others, since the leaders allow for freedom of initiatives and give priority to guidance and help. (Gibson and Birkinshaw, 2004b) It is achieved through availability of resources, which make up an environment for initiatives and entrepreneurial mindset. (Carmeli and Halevi, 2009) The last attribute is trust, which induces members to rely on each other. Important factors are fairness and involvement of individuals in decisions, which enhances individual competences. The soft elements must be combined with hard elements in an organization—too much focus on the soft elements will promote an atmosphere in which no work gets done. (Gibson and Birkinshaw, 2004b)

The four attributes contribute to create a supportive environment that inspires individuals to do "whatever it takes" to deliver results. The attributes shape individuals and collective behavior, which results in a shape of business units. (Gibson and Birkinshaw, 2004b) The senior management team is responsible for building a context embracing these attributes. (Carmeli and Halevi, 2009) If they are implemented successfully, it will provide business units capacity for contextual ambidexterity. The development of these capabilities takes many years, but will eventually lead to superior performance. (Gibson and Birkinshaw, 2004b)

9.3.4 Punctuated Equilibrium

Burgelman and Mittman (1994) propose yet another approach to manage exploitation and exploration, namely punctuated equilibrium. (Gupta et al., 2006) This approach suggests that the organization pursues temporal focus on exploitation and exploration, respectively. Gupta et al. (2006) suggest that cycling through periods of exploitation and exploration is a more viable approach than a simultaneous pursuit of the two.

The punctuated equilibrium theory is designed to explain how organizations can evolve over time (Gersick, 1991), and is an adversary to traditional Darwinian evolution. The term *punctuated equilibrium* has been used to explain several areas of development: individual adult development (Levinson, 1986, cited in Gersick, 1991), group development (Gersick and Hackman, 1990, cited in Gersick, 1991), and organizational development (Romanelli and Tushman, 1994). The organizational development part has been used as a way to explain and suggest a strategy for attaining ambidexterity.

As described by its proponents, punctuated equilibrium theory depicts organizations as evolving through long periods of stability (equilibrium periods) that are punctuated by relatively short bursts of fundamental change (revolutionary periods). (Romanelli and Tushman, 1994) Organizations that are in the equilibrium period are focusing on exploitation and organizations in the revolutionary period are focusing on exploration. The exploratory periods substantially disrupt established and initial pattern of activities. (Eisenhardt and Schoonhoven, 1990, cited in Romanelli and Tushman, 1994) As a result, organizations develop coherent systems of shared understanding. (Romanelli and Tushman, 1994)

9.3.5 Summary of in-house strategies

Table 3 summarizes the different types of in-house strategies to attain ambidexterity. The table is built upon the framework presented by Birkinshaw and Gibson (2004), which cover structural and contextual

ambidexterity. It has been expanded to comprise the two forms of structural ambidexterity—spatial separation and temporal separation—as well as contextual ambidexterity and punctuated equilibrium.

Table 3 reveals that in-house strategies varies when it comes to where the decision of the exploitation and exploration split is made, and the management team's role. Contextual ambidexterity differs from the other strategies because it requires individuals or employees to take an active role in effectuation of the strategy. In addition, the summary suggests that ambidexterity is achieved at different organizational levels. Structural ambidexterity, both spatial and temporal separation, flows at business level, contextual ambidexterity at the individual level, and punctuated equilibrium at the corporate level. These distinctions indicate that the different in-house strategies can give rise to ambidexterity at different levels, and as the background of the thesis' sixth proposition: H6: *The balance (of the exploitation/exploration paradox) can be applied at different levels in the organization simultaneously.* Section 11 will provide a thorough, empirical examination of this proposition.

When comparing the four different in-house strategies to achieve ambidexterity, there are similarities between temporal separation and punctuated equilibrium. Earlier studies has either compared structural and contextual ambidexterity or spatial separation and punctuated equilibrium (Andriopoulos and Lewis, 2009; Gibson and Birkinshaw, 2004b; Gupta et al., 2006; Raisch et al., 2009); the terms *punctuated equilibrium* and *temporal separation* has not been compared. This could indicate that punctuated equilibrium and temporal separation are two names of the same strategy. They are identical when it comes to the temporal cycling between exploitation and exploration, the actors that perform the temporal focus and actors that allow for and trigger the focus switch. The punctuated equilibrium theory for ambidexterity is based on the generic punctuated equilibrium theory, which describes organizational evolution. This could indicate that organizations are bound to switch between exploitation and

	Structural ambidexterity		Contextual ambidexterity	Punctuated equilibrium
	Spatial separation	Temporal separation		
How is ambidexterity achieved?	Exploitative and exploratory focused activities are done in separate business units or teams	Exploitative and exploratory activities done by the same units, but at different time period	Individual employees divide their time between exploitative and exploratory activities	The entire organization focuses on either exploitation or exploration for a period of time
Where are decisions made about the split between exploitation and exploration?	At the top of the organization	At the top of the organization	Individual level, by salespeople, plant supervisions, office workers	At the top of the organization
Role of top management	To define the structure, to make trade-offs between exploitation and exploration	To define the periods, to make trade-offs between exploitation and exploration	To develop the organizational context in which individuals act	To define the periods, to make trade-offs between exploitation and exploration
Nature of roles	Relatively clearly defined	Relatively clearly defined	Relatively flexible	Relatively clearly defined
Skills of employees	More specialists	More generalists	More generalists	More generalists

Table 3: In-house Strategies for Ambidexterity

exploration, no matter what the interested party decides. But the common view is based on the manager's ability to identify the need for, and promote the switch from, exploitation to exploration, or vice versa. This view indicates that there is a linkage between punctuated equilibrium and structural ambidexterity—temporal separation.

9.4 Managing Ambidexterity

Several studies have argued that senior management behavior is essential to attaining ambidexterity. (Lubatkin et al., 2006; He and Wong, 2004) Senior management behavior will shape individuals' behavior and thereby facilitate teams' ability for better performance through appropriate coaching. (He and Wong, 2004; Jansen et al., 2008) Ambidextrous organizations should have heterogeneous senior teams capable of appreciating and focusing on process activities as well as limiting their damage. (Benner and Tushman, 2003) They allow variety and local adoption, yet facilitate collective actions and strategic coherence. (Siggelkow and Rivkin, 2006)

The senior management, in the light of spatial separation, must develop processes that include forward-looking cognitive models for exploratory units, as well as allowing backward-looking learning for exploitative units. (Benner and Tushman, 2003) This results in exploratory units utilizing and exploring new knowledge, yet establishing cross-fertilization and synergies with ongoing businesses in exploitative units. (Tushman and O'Reilly III, 2006) Another important task for senior management teams is to allocate scarce resources, and thereby inhibit resource constraints in exploitative or exploratory units. (Jansen et al., 2008) The senior team is expected to recognize and translate different ambiguous, and conflicting expectations into workable strategies. (Jansen et al., 2008) When senior management teams have succeeded with separation, they can realize, control, direct, and organize within and across organizational units. In addition, this entails that they can develop supportive contexts for enhancing learning capabilities. (Lavie et al., 2010)

The senior management team is also crucial when organizations achieve ambidexterity through punctuated equilibrium, temporal separation, contextual ambidexterity and domain separation. Temporal separation and punctuated equilibrium require the senior management team to play a proactive role. The transition between exploitation and exploration requires planning and execution of synchronized operation. (Lavie et al., 2010) Even though contextual ambidexterity and domain separation probably are less demanding for a management team than temporal separation, punctuated equilibrium and spatial separation, their role is still crucial for the ambidexterity. (Lavie et al., 2010)

Jansen et al. (2008) presented a set of senior team attributes that facilitate ambidexterity: shared vision, social integration, and group contingency rewards.

The senior management should promote a shared set of goals and values for the organization. The goals and values must be articulated through a common strategy that improves conflicting interest and disagreement. The common goals and values in an organization lead to a motivation among senior management to generate opportunities for resource exchange and combination across exploratory and exploitative organizational units. (Tushman and O'Reilly III, 2006; Brown and Eisenhardt, 1997; Jansen et al., 2008) The lack of shared values in an organization can thus lead to distrust and suspicion within management teams and throughout the organization. The distrust makes it hard to identify, extract and combine skills, abilities, and perspectives within exploratory and exploitative units.

Jansen et al. (2008) described social integration as a multifaceted phenomenon, reflecting the attraction to the group, satisfaction with other members of the group, and social interaction among the group members. The social interaction is closely related to negotiation, compromise and collaboration across organizational units, and helps increase collaborative problem solving (Michel and Hambrick, 1992; Dailey, 1978, cited in Jansen et al., 2008). Social integration promotes a comfortable and familiar

organization, which enables senior executives to articulate and develop arguments more effectively and to build realistic understanding of key preferences in the organization. (Eisenhardt et al., 1997, cited in Jansen et al., 2008)

The last senior management attribute required to achieve ambidexterity is contingency reward. Contingency rewards foster collaboration and create commitment to organizational goals. (Bloom, 1999, cited in Jansen et al., 2008) The senior management team is encouraged to achieve value through identifying ways to use shared resources across exploratory and exploitative units. (Smith and Tushman, 2005) Contingency rewards reduce competition among individuals by facilitating negotiation of mutual adjustment necessary for the co-existence of exploitative and exploratory units. (Jansen et al., 2008)

Carmeli and Halevi (2009) argue that these four attributes lead to contextual ambidexterity in the senior management team. Top management's behavioral complexity arrives from information sharing, collaboration and joint decision making, and leads to ambidexterity.

9.5 The Complete Ambidexterity Framework

As described, there are several strategies to follow in order to achieve organizational ambidexterity. The complete framework for these strategies is illustrated as an index map in Figure 7. The map shows that ambidexterity could be achieved either by internal or external efforts. The external activities include outsourcing and alliances, and the internal activities include mergers & acquisitions and in-house activities. The in-house activities are further divided on the basis of sequential and simultaneous focus. Punctuated equilibrium and temporal separation are strategies organizations could choose if they want to pursue a sequential path, whereas spatial separation and contextual ambidexterity are paths to follow if the organization prefers to solve the paradox simultaneously. There exists a common understanding that ambidexterity are tightly aligned with senior management behavior. Several

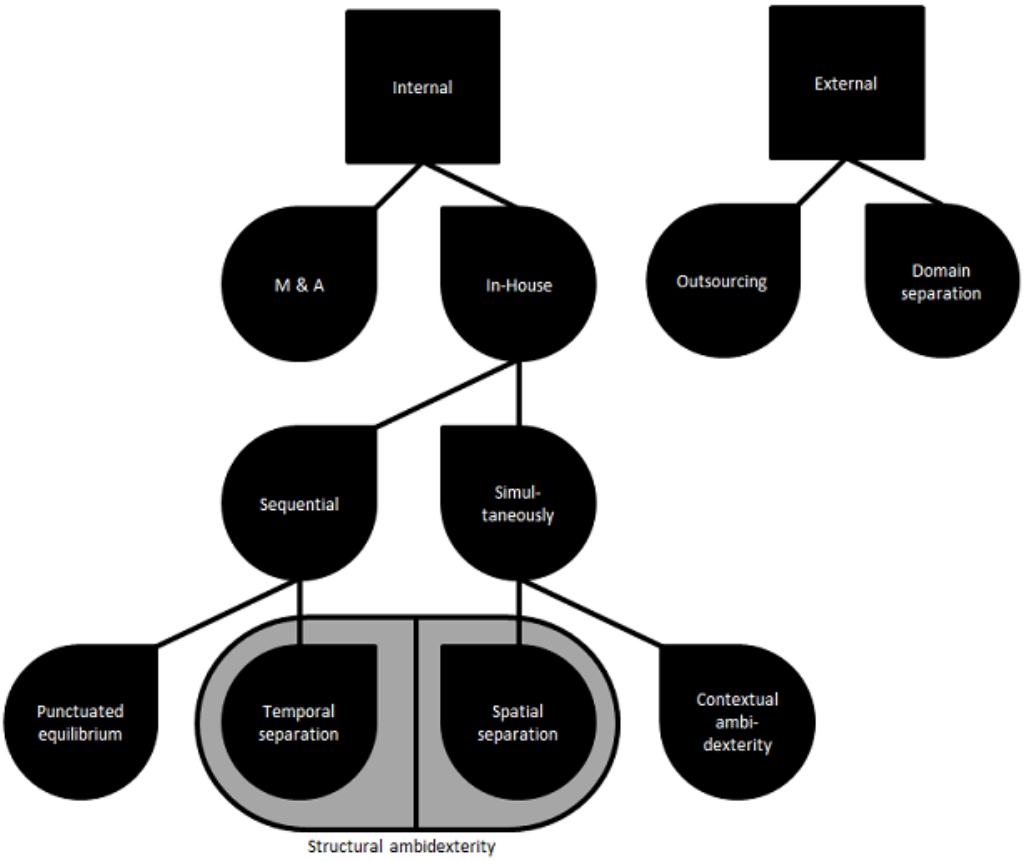

Figure 7: The Ambidexterity Framework

studies have argued that no matter what type of strategy an organization chooses, it needs to be pursued in accordance with senior management behavior. The behavior facilitates and adjusts for ambidexterity and is a crucial tool for success. (Siadat and Chaharmahali, 2010)

On basis of The Ambidexterity Framework and the theoretical evidence produced in Section 9, considering various ambidexterity strategies, a last proposition has been suggested: *H7: Solving the paradox redound to ambidexterity.* Sections 10 and 12 will provide an empirical investigation of this proposition.

10 Empirical Assessment of the Ambidexterity Framework

The main objective of the current section is to examine the empirical material from Finn in the context of ambidexterity. The assessment will comprise why Finn may be regarded as ambidextrous, the different modes Finn uses to balance exploitation and exploration, and the contribution senior management teams provide to achieve ambidexterity.

Information captured from the interviews indicates that Finn does, to some extent, meet the formal definition of an ambidextrous organization from the literature, as a company synchronously pursuing both exploitation and exploration. (Gupta et al., 2006) To verify and enrich this perspective, the ambidextrous efforts have been considered through three antecedents of exploitation and exploration—organizational factors, environmental factors and senior management teams. These antecedents are selected to define the context of what constitutes ambidexterity. (Lavie et al., 2010)

Organizational factors include absorptive capacity, slack resources, organizational structure, culture and identity, and organizational age and size. (Lavie et al., 2010) As discussed in Part II, Finn holds slack resources, when it comes to both time and money—the employees are allowed to administer their own workday, and Finn is willingly funding new projects, e.g. Penger. Wakas Asif explains that Finn's organizational structure is decentralized, and he further puts forward a theory about the origin of the culture encouraging intrapreneurial success and ad-hoc pitching: "Finn has a relatively flat structure; we work in an open landscape. The door to the CEO's office is always open, inviting anyone to stop by for an informal chat." As Ole Kristian Ullereng has reported, the organizational culture and identity are imprinted by continuous improvement efforts combined with innovation tools. Bent Ove Jørgensen elaborates: "Many companies present lots of plans and visions, but they don't always go through with them. Here, these plans are followed." In addition, Finn's remarkable success does obviously

characterize the culture.

The senior management team has articulated in the corporate strategy that an extensive expansion is imminent:

> **"We aim to build a new Finn over the next four years. It took about ten years to build the current Finn, and now the purpose is to build another one at half the time. It's very ambitious, but also extremely exciting." (Niklas Larsson)**

Ullereng argues that all innovation at Finn is more or less administrated through the corporate strategies. The CEO has at several occasions used public press and social media to demonstrate his simultaneous attentiveness on continuous improvement and innovation.

Finn operates in an environment characterized by rapid changes in technology, offers and customer demand. According to Nina Moi Edvardsen, Finn is observant of the present changes in technology, customer behavior and customer preferences. It is for example important for the long-term viability to take part in the switch from laptops to tablets and mobile phones. She explains: "We have been courageous ever since the beginning. Back in those days, the newspapers were reluctant and afraid to move from physical paper to online format." Another example of the attention towards environmental changes are described by Christian Haneborg: "I told my boss that Penger was a business case I believed in, and something Finn ought to bet on, to prevent the future from catching up with us."

When it comes to modes of balancing exploitation and exploration, the information provided from the interviews indicated that Finn uses several of them: punctuated equilibrium, contextual ambidexterity, structural ambidexterity and, to a questionable extent, domain separation. They will be subject to closer examination in the following pages.

10.1 Domain Separation

Domain separation is defined as alliances of exploitation or exploration. At the beginning of Finn's venture, the market verticals did not include separate development teams and all technology progression was organized within a central unit. Management realized that they had a unique classifieds platform, with potential for synergies if collaborating with other actors in the classifieds business. The technology platform was demerged from Finn into the new company Finntech, with a 50/50 shared ownership between Finn and the English classifieds company Fishforce. Ribe Anderssen reveals that this alliance soon experienced some difficulties:

> **"The two owners had contradictory interests. First, Fishforce was dissatisfied by Finntech being located physically closer to Finn, and therefore executed most projects in a fashion most favorable to Finn. Second, Finntech was dissatisfied by being forced to always make solutions compatible for both Fishforce and Finn. The joint venture turned out differently than expected, without the desired synergies." (Lars Erik Ribe Anderssen)**

The two companies separated, and Finn re-acquired Finntech. This has been Finn's only attempt to establish an exploitation domain.

Penger is another attempt on domain separation, where Finn owns 70% and Dine Penger 30%. Penger did not fit in with the company's core activities and Edvardsen explains: "Penger didn't arise because of Finn, but in spite of Finn." The domain separation was based on exploratory efforts. Haneborg elaborates the synergies:

> **"Penger will benefit from Dine Penger on several aspects. We'll be able to transfer some of their already incorporated credibility on personal finance, instead of having to establish our own credibility from scratch. In addition, Dine Penger is owned by VG, making Norway's largest newspaper an owner of Penger. Consequently,**

they'll be willing to integrate us and make Penger a natural part of their services." (Christian Haneborg)

10.2 Structural Ambidexterity

As described in Section 9, structural ambidexterity can be divided into two distinct modes—spatial separation and temporal separation. When considering Finn in the light of structural ambidexterity, it was discovered that their main focus was spatial separation as a balancing mode: "The forces should be balanced with processes, not separation based on time." (Jørgensen) With the general presence of Finn's remarkable profitability in the established verticals, several interviewees have emphasized the lack of separate working environments for intrapreneurial efforts. It is crucial to isolate the exploratory efforts from these verticals, allowing them to establish separate environments. As Ullereng previously described in Section 6, celebrating with cake every second day does influence people's attitude, and is part of the reason why he would relocate his exploratory department to Oslo Innovation Center with other entrepreneurs, if he were to decide.

Market verticals The interviews revealed that the distribution of attention between exploitation and exploration varies across different business units and market verticals. Ullereng has stated that his first course of action after being appointed CEO of Torget was to deliberately eliminate all experimentation within this vertical, on basis of Torget holding the leading position in acquiring brand equity and generating site traffic. To mitigate the risk of compromising the brand, or having the traffic reduced, Ullereng is cautious with experimentation efforts and wants the vertical to continue exploiting its existing capabilities and resources. Similar tendencies are also found in other verticals. Eiendom is the market leader in its sector, causing experimentation reluctance in this department as well. The reluctance is further amplified by the fact that Norway's largest real estate trader is a shareholder in Eiendom. The result is a rigid and complex decision making

structure.

Finn also comprises more exploratory verticals such as Reise, a vertical operating in a competition-intensive landscape, leading to a more exploratory approach for survival. The approach is characterized by the broad focus and a desire to develop a marketplace embracing every element of its competitors' products. Vangstein elaborates: "The dominating markets, such as Eiendom, Motor (Bil) and maybe Jobb, must be more careful than for example Reise which is currently a market underdog."

Support Functions Separation of exploitative and exploratory efforts at Finn is also identified in departments not directly related to specific market verticals. Exploratory efforts has traditionally been conducted in small units, based on Ullereng's testimonial of the unsuccessful attempts engaging in experimentation within the corporate environments. But when they succeed, the ideas often originate by establishing separate environments within Finn, usually with six people having an explicit mandate and backing resources. (Ullereng) Both Oppdrag and Penger were developed in these formats. This recipe for success has been captured within the organization, resulting in the New Markets department being established medio March 2012. The new section is a place where entrepreneurial mindset and the ability to explore are valuated. Ullereng explains: "It will be a pure innovative environment, with both business and concept developers."

Finn also comprises more exploitative support units, e.g. Platform and Architecture. Ribe Anderssen describes: "There is no reason to grant the happy-go-lucky people complete access to the system architecture. It's more advantageous to build up modular stand-alone units, preventing programmers from altering others' code." Ullereng advocates again to avoid experimentation within these departments, arguing that not only Torget, but also exploitative support units have comprehensive maintenance and upkeep operations preventing the same team to relieve themselves sufficiently from other duties to produce good innovation anyway.

10.3 Contextual Ambidexterity

Contextual ambidexterity is to utilize behavioral and social means to integrate exploitation and exploration within the organizational boundaries. Finn has created a working environment allowing employees to distribute their own time between exploitative and exploratory tasks at a day-to-day basis. Together with the senior management team, each work unit has developed a roadmap setting clear goals of performance and behavior among the members, which is supported by tailor-made processes and systems for lean and slack. Examples are Finnopp, Sandbox and Finnovasjon, developed as ways to create novel business ideas and features. Even though several interviewees claim these tools to still be suboptimal (Jørgensen, Ullereng, Asif, Haneborg), they contribute to make innovation visible inside the organization and promote exploratory efforts among employees. (Kristiansen) On the other hand, the lean program developed by Finn Way of Innovation contributes to the awareness of effectiveness. Kristiansen points out that the overall objective of this program is to establish a culture where the employees are aware of what they are supposed to do, why they are doing it, and what effects that work may produce for the organization, the customers and the users. The exploitative focus is amplified by the roadmaps developed for each business unit. According to Kristiansen, the roadmaps are vital for the ongoing operations: "It provides a recipe for prioritizing work tasks and communicate tangible goals."

It is evident that Finn has managed to develop a culture where individuals strive for ambitious objectives. Ullereng argues that some sort of Finn totality exists among the employees, making them committed to the organization and willing to walk that extra mile to ensure satisfactory results. This totality may have arisen from the fact that employees are proud of working at Finn, in addition to regarding Finn as a comfortable and rewarding company. However, this totality invites managers to trust the employees, making room for maximal performance.

The interviews revealed that employees are invited to assist and

countenance others. As director of Platform and Architecture, Lars Erik Ribe Anderssen is responsible for four system architects, within the fields of application, search, front-end, and database, respectively. As the rest of Finn's work force, they are also allowed to choose how to administer their own workday: "These people are technically competent, but they are also committed to the Finn totality. It is extremely important to show them trust, and so far, they've never abused it." (Ribe Anderssen) This philosophy is identified across the entire organization, and Asif explains that he is allowed to schedule the workday at his own convenience:

> **"I don't get micromanaged by my boss. It is, of course, important to deliver pursuant to budgets and roadmaps, but I'm free to manage my own workday. I have, at several occasions, used an afternoon to work with a case." (Wakas Asif)**

The employees are free to initiate and prioritize projects. When Haneborg started the work with Penger, he was allowed to simultaneously focus on his daily work as well as further develop the new idea. The senior management team encouraged him to continue the focus on Penger for two reasons—they believed in the idea and they believed in Haneborg. Larsson summarizes their expectations:

> **"As a side effect of the product Penger itself, Christian was given the best education he could possibly get. The work with Penger has been hard and Christian has experienced a lot of bumps. I think, even though it will be a success, the greatest outcome will be the next project Christian will lead. That I am certain of. He has learned how to do this, and as you see in Silicon Valley, success is often a result of the second, third or fourth attempt." (Niklas Larsson)**

The way Finn's employee evaluation process is structured indicates a mindset emanated from contextual ambidexterity, based on Asif's affirmation of result, activity and quality as the three dimensions along which employees

are being monitored. The result and activity assessments are intuitive parameters tightly connected to the roadmap, and may thus be regarded as measurements of exploitation. However, quality is a more subjective and comprehensive parameter, and may in some cases be regarded as a measurement of exploration. The quality assessment is based on a task or a project chosen by the employee, and approved by the manager. That way, the members are included in the personal KPI development process, and engaged in defining Finn's future path. Asif's last quality measurement project in 2011 was to put forward a proposition for solving a challenge related to banner advertisements at Jobb:

> **"A few months ago, customers were unable to buy banner ads related to a specific occupation, such as engineering, because of a technical bug. I decided to solve the problem, starting with a Finnopp post and some internal e-mails. Naturally, we had to spend a lot of time and it was hard work, but it paid off. The product is sold today; it has become a huge success. We have happy customers." (Wakas Asif)**

During the interviews, the senior management team's desire for contextual ambidexterity was identified. Edvardsen stated that they encourage employees to focus on both effectiveness and innovation simultaneously.

10.4 Punctuated Equilibrium

As previously described, punctuated equilibrium refers to an organizations ability to cycle between periods of exploitation and exploration, respectively. This is often used to describe an organization's evolution over time, and thereby describe an organization's ability to change focus in order to cope with uncertainties in the environment.

During the interviews, it was identified that Finn has evolved in pursuance of a punctuated equilibrium pattern, cycling between exploitation and

exploration during its entire operating time. It started as an exploratory, entrepreneurial company, followed by a period of exploitation, and is now, apparently, starting another period of exploration. The venture started in 2000, and the organization was permeated by an exploratory mindset, allowing for creative thinking and experimentation. During this period several market verticals were established mainly based on intuition, and new ideas were conceived and tested rapidly and uncritically. In the words of Nina Moi Edvardsen, Finn's early phase is described: "We were in this entrepreneurial phase, where it was arms and legs. We were like a frisky child."

After a while, Finn grew and became a market leader in several of its verticals. The interviews indicate that this made the management team realize the importance of structuring the entrepreneurial mindset. Ullereng explains Finn's history: "There is still much left of the entrepreneurial work style around here. Structure has not been our strongest side, but it's starting to be." Finn introduced several sets of procedures to cope with the increasing number of employees, market verticals, customers and revenue. The first attempt to structure the organization was through lean thinking, and Ullereng recalls: "We started with Scrum, but it killed any creative thinking and innovation immediately because everything was methodology. We started with a misunderstood form of lean." The interviewees explain that the contrived deliveries required to conclude all three-week sprints caused an exaggerated quest for customer value, ignoring continuous improvement of operations not explicitly linked to customers. This experience was how the need for a department like Finn Way of Innovation emerged, and why they developed the new tailor-made effectiveness improvement program with the seven principles. The program is a mix of Scrum method and lean principles, "designed to help business units gain more effect with less programming." (Kristiansen & Vangstein) It is a measure taken by the Finn Way of Innovation to get rid of people's gut feeling and force them to articulate it clearly.

As of today, most of the market verticals and support units are participating in the program, and Finn is running smoothly. The management team is reflected on their current situation, and eager to enter a new period of exploration. Edvardsen states:

> **"Yes, we have realized that we must be careful not to be too structured and bounded in our current operational mode. We're hunted by the great ghost of not becoming Aftenposten. And it's not only Aftenposten—Telenor and SAS are other examples, all well established companies where processes overshadows the creativity." (Nina Moi Edvardsen)**

As mentioned, Finn plans to double its operation the next four years. Exploration efforts make up a significant part of the strategy to reach this goal, due to an obvious need for new verticals. Haneborg explains how he interprets the management team's strategy: "In my experience, the CEO is very focused on innovation and development of new market verticals. I don't think he will give up in the near future, even if he eventually is forced to start acquiring companies." This innovation focus is already possible to identify as the establishment of new initiatives, like New Markets and Finn Way of Innovation's seven principle framework. Kristiansen explains that as of today, since the new initiatives are in the development process, the main resources are still allocated to existing verticals. But she thinks that this potentially could shift. Edvardsen argues that Finn has not entered an exploitation phase just yet, but she is confident that the organization re-adjusts to meet the innovation goal.

10.5 Senior management team

As discussed in Section 9, the behavior, culture and encouragement from senior management teams are crucial when forming ambidextrous organizations. Jansen et al. (2008) argue that senior management teams should possess shared vision, social integration and contingency rewards.

Shared vision refers to a shared set of goals and values, and contingency rewards foster collaboration and create commitment to organizational goals. Finn's roadmaps contribute to create goals and values penetrating the entire organization. The efforts to create shared vision are done through roadmap planning. The development is done in different, mandated groups, where each group creates one part of the entire roadmap. That way, middle managers and other employees are able to contribute to form the corporate strategy and the strategic direction for the next three years. An important principle in the process is to appoint certain employees to communicate the roadmap within the organization, and ameliorate conflicting interests and disagreements, thereby avoid the traditional, hierarchical layout, where senior managers make decisions behind closed doors. Ullereng emphasizes: "don't underestimate the process of making strategy, it promotes involvement and anchoring. If you succeed, you'll be able to exploit much more of the energy and hunger present in the organization."

Social integration reflects attraction to the group, satisfaction with other members of the group, and integration among the group members themselves. As mentioned, the flat structure at Finn combined with events and forums (such as Finnopp, Finnawards, and Tech Lead Forum) invite to collaboration across business units. These efforts are formation stones for social integration and yield greater effectiveness and aspire for team success.

10.6 Summary of Section 10

Finn is aware that it is vital for the organization to strive towards innovation to secure long-term sustainability and to focus on effectiveness improvement to gain maximal outcome of the existing operation. This view is communicated to the organization and the outside world through Finn's strategy, efforts inside the organization, and visibility from the spin-offs. Finn's history and current performance allow one to believe that the efforts have, to some extent, been successful.

The interviews have provided clear evidence of Finn using multiple modes

to attain ambidexterity. The organization's lifetime is characterized by an alternation between exploitative and exploratory periods. It started as an entrepreneurial company, evolved into a mature enterprise, and has now shown indications of entering a new phase of exploration. This separation in time is based both on the evolution of Finn as an organization, and on the senior management team's deliberate efforts to promote it. It is important to operate effectively and attain optimal yield from existing resources, as well as understand what effects their efforts gain. On the other hand, employees and senior management teams are invited to intercept and follow new opportunities, with that doing an attempt to secure the future. Finn has also done some structural actions to balance the exploitation/exploration paradox. There is a distinction in different market verticals and business units, allowing some to focus purely on innovation and other purely on effectiveness. Finn has further demerged both existing operation units and new ventures in domains, allowing each domain to focus solely on exploitation and exploration, respectively. The exploitation domain failed to provide the desired synergies, and ultimately Finn brought the unit back inside the organization. The other attempt of domain separation is the demerger of an exploration unit, consequently separating the new venture from the success environment at Finn and giving it distance to build up and maintain an entrepreneurial mindset. It is evident that Finn desires to succeed with short-term profit as well as attain long-term viability.

11 Theoretical and Empirical Juxtaposition of the Ambidexterity Framework

Researchers have discussed whether ambidexterity manifests itself at the individual or organizational level. There is a predominance of studies arguing that organizational mechanisms enable ambidexterity through formal structures or lateral coordination. (Benner and Tushman, 2003; Jansen et al., 2008; Gibson and Birkinshaw, 2004a) However, researchers have questioned

whether structural mechanisms are required to enable ambidexterity at an individual level, and thereby indicate that structural mechanisms are the vital mode to achieve ambidexterity, or if ambidextrous individuals are vital in the use of structural mechanisms. The latter implies that ambidexterity is rooted in the individual's ability to exploit and explore. (Raisch et al., 2009) Several studies on structural ambidexterity acknowledge that senior management teams can engage in both exploitative and exploratory activities. But why are these managers, as opposed to other members in the organization, able to enter and manage the paradox? (Raisch et al., 2009) To examine this uncertainty, the current thesis will attempt to capture ambidexterity across multiple levels at Finn, and investigate what level ambidexterity originates from. The empirical investigation has indicated a possibility of employing multiple balancing modes simultaneously, as this is evident at Finn. Further, a framework for separation of the modes according to organizational levels has been suggested.

11.0.1 Contextual Ambidexterity

Contextual ambidexterity efforts flow at the individual level. The organization desires to create a Finn totality, inviting employees to continuously delegate their efforts between exploitative and exploratory tasks. For senior management teams, this is attained by hiring technically competent people anxious to take a "what ever it takes to succeed"-approach, making micromanagement unnecessary. (Ribe Anderssen) From the employees' point of view, this is attained by being proud of their workplace, and trusted by the senior managers. Ultimately, the result is mental ownership. (Ribe Anderssen) Individuals' ability to act ambidextrously will have a cumulative effect on the organization's overall ambidexterity. However, the ambidexterity is different from the sum of its members' individual level of ambidexterity, and rather likely to be a function of closely interrelated individuals and organizational effects, most cases greater than the sum of the individual activities. (Raisch et al., 2009)

11.0.2 Structural Ambidexterity

Structural ambidexterity efforts are employed at the next organizational level, where the modes of balancing flows at the business level. As described in Section 9, the structural means are applied on different organizational units, choreographing some to operate purely exploitative and others to operate purely exploratory. Birkinshaw and Gibson (2004) argue that structural separation is necessary due to the incongruous nature of the two sets of activities. The most apparent piece of evidence on structural separation is the establishment of New Markets, an exploratory unit solely pursuing new business opportunities.

11.0.3 Punctuated Equilibrium & Domain Separation

Punctuated equilibrium flows at the corporate level. Finn has evolved through one exploration period and one exploitation period, and is now starting once again to enter a new period of exploration. These business cycles are mainly administered by the senior management team, and promote the entire organization to switch between the two extremes.

Domain separation is employed at the network level, to target collaboration with subsidiaries or partners on the separation of exploitation or exploration. Finntech is one example on exploitative domain separation.

11.1 The Hierarchical Ambidexterity Framework

The Hierarchical Ambidexterity Framework is a new framework for separation of the modes according to organizational levels, illustrated in Figure 8.

After thoroughly examining the Pathway Framework in combination with the different modes in the Ambidexterity Framework, a coherence was observed—the different modes could be implemented at different levels of the Pathway Framework to solve the tension. The first level in the Pathway Framework is the mindset of the organization, and the employees'

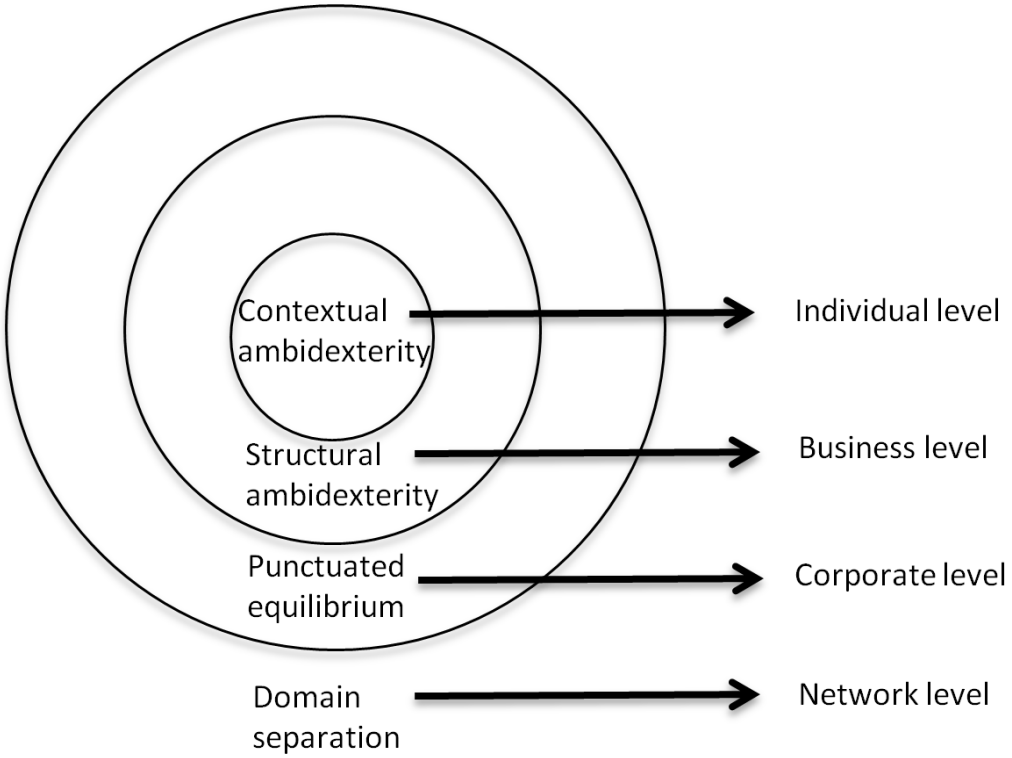

Figure 8: The Hierarchical Ambidexterity Framework

possession of either exploitative or exploratory mindset. To balance the opposing mindsets, the organization could utilize contextual ambidexterity and/or punctuated equilibrium. The second level is the corresponding tools. Structural ambidexterity could be applied in organizations at the group or business level, allowing lean and organizational slack to be exerted at different points. The organization consists of several groups or business units with different foci, and the sum of these units gives rise to ambidexterity. As an attempt to balance effectiveness and innovation, the third level in the Pathway Framework, organizations could employ domain separation. An organization could either pursue effectiveness within the organization and innovation at another domain, or vice versa, thereby making it possible to become ambidextrous without mixing the two extremes inside one business unit. Figure 9 indicates the merger of the Pathway Framework and the

Hierarchical Ambidexterity Framework.

Summarized, Finn utilizes contextual ambidexterity, structural ambidexterity, punctuated equilibrium and domain separation. The empirical data revealed that contextual and structural ambidexterity were the most common balancing modes, and that domain separation and punctuated equilibrium not were part of Finn's everyday balancing efforts. These finding were expected, due to both structural and contextual ambidexterity being feasible to apply in an organization's everyday operation, while punctuated equilibrium is a long-term mode utilized as an evolution path, and domain separation is achieved in collaboration with other organizations.

As described in the current section, Finn's ambidextrous capabilities are built from applying different modes simultaneously, both at different levels in the Pathway Framework and at different levels in the Hierarchical Ambidexterity Framework. Every individual are invited to develop a mindset simultaneously embracing both exploitative and exploratory thoughts. These contradictory thoughts are not always necessary for their day-to-day work inside a business unit, but should be a part of the Finn totality and benefit Finn as an organization. Contextual ambidexterity is therefore applied at an individual level, forcing the employees to embrace both an exploitative and exploratory mindset.

These contradictory thoughts are supported by structural mechanisms, where some business units utilize lean as a tool, and others utilize slack. The structural mechanisms secure a familiar environment for the employees by mitigating the contradictions. Although every employee is able to simultaneously focus on exploitation and exploration, the structural means function as a guideline for the employees when balancing the efforts. Structural ambidexterity is applied at the business unit level, enabling the organization to utilize both lean and organizational slack as a tool.

Punctuated equilibrium and domain separation at Finn are deployed by the senior management team at the corporate and network levels of strategy, respectively. Punctuated equilibrium efforts at Finn are visible

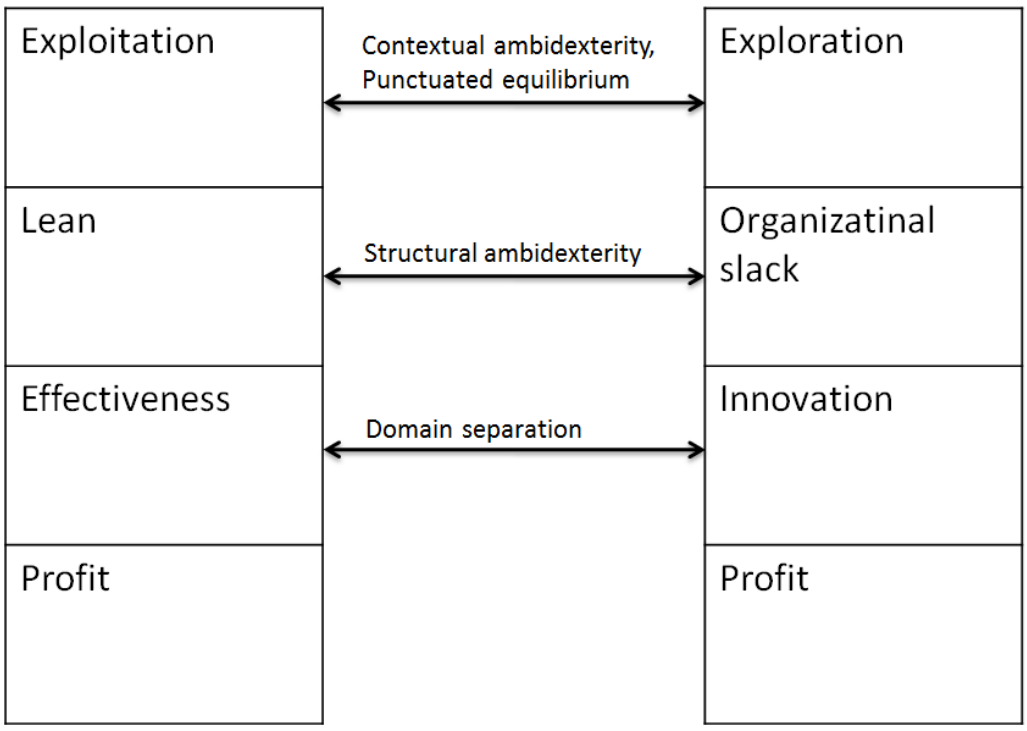

Figure 9: The Hierarchical Ambidexterity Framework merged with the Pathway Framework

for the organization through corporate strategies and roadmaps, affecting the mindset of the employees. Currently, the management team has initiated a path switch, and now promotes more exploratory efforts. The switch has affected the employees to increase the focus on innovation and experimentation initiatives. Domain separation allows Finn to separate either the innovation or effectiveness focus from the organization, leaving the employees affected only by the outcome of the separation—innovation and effectiveness, respectively.

The aim for this section has been to investigate what organizational level ambidexterity originates from, and why utilization of several modes simultaneously is possible. The study indicates that ambidexterity can be achieved in several ways and manifest itself on different levels in the

organization. Ambidexterity at the individual, business, corporate and network levels of strategy, respectively, have been observed at Finn, but one particular level for organizational ambidexterity more important than the others has not been identified. The determination of one such level superior to the others in the context of ambidexterity balancing modes is suggested for further research. However, it appears that ambidexterity at one level would promote ambidexterity at another, and it is crucial that the senior management team plays an active role. Although exploitation and exploration make up a paradox within the organization, management teams are implementing modes to solve it. The different modes differ, and one could therefore imagine that the utilization of several modes would lead to conflicts and diffuse directions inside an organization. But since the different modes flows at different levels in the organization as well as targeting different levels in the pathways to profit, utilization of multiple modes are feasible and perhaps even desirable.

12 Level of Ambidexterity

Organizational theories have recently adopted the human trait of ambidexterity as a metaphor to describe competent organizations (Carmeli and Halevi, 2009), and that these competent organizations are able to pursue exploitation and exploration simultaneously. But what is a competent organization? And what is the ideal balance between exploitative and exploratory efforts? How much focus on exploitation and exploration are required for an organization in order to be categorized as ambidextrous?

Gibson and Birkinshaw (2004a) insinuate that there exist different levels of ambidexterity, but the levels cannot be measured as a product of exploitation and exploration because that will imply that exploitation and exploration are both equally important elements of ambidexterity. This indicates that ambidexterity can appear from different exploitative and exploratory efforts, allowing organizations to have unequal focus on the two

extremes. The case study on Finn revealed evidence of different focus on exploitation and exploration that ultimately has resulted in success for the company.

Even though Finn allocates resources to both exploitative and exploratory activities, and has implemented strategies to embrace both extreme points of the paradox, the interviewees reveal that Finn holds a potential for even higher levels of effectiveness and innovation. Haneborg points to the fact that Finn's short-term success will be positively affected, if the existing resources and capabilities were utilized in a better way. On the other hand, some interviewees is of the opinion that several of the innovation efforts do not yield the desired outcomes, and they believe Finn has a potential to foster a much larger amount of innovation projects. Despite this, Finn has shown a positive growth and performance ever since it was established. This indicates a chance to achieve ambidexterity without excelling at both extremes, and that organizations can balance the paradox by operating close to each extreme instead of necessarily at the extreme itself.

However, an open question is if the performance could have been even better if both extremes were thoroughly captured, and that Finn has not exploited its full potential for ambidexterity. As of today, Finn is eager to expand its focus on innovation and secure effect on the efforts, while still maintaining and further developing the effectiveness. This business approach implies a desire to move measures further towards the two extremes, to attain an even higher level of ambidexterity. This strategy might result in a higher performing organization and securing a sustainable future.

Part IV

Conclusions & Further Research

The paradox of exploitation and exploration is extensively debated in organizational theory literature, as two opposing strategies. Even though the concepts may be regarded as two extreme points of a managerial paradox, several recent studies have argued that they can coexist. This coexistence has been named ambidexterity. An emerging imperative is for organizations to manage both exploitation and exploration to achieve sustainable advantage, by capturing the best components from both extremes. This thesis has introduced strategies for solving the paradox, presented available, theoretical alternatives for organizations to attain ambidexterity, suggested three new theoretical frameworks and performed an empirical assessment of this theory in the context of Finn.

13 Conclusion

13.1 Objective A

Objective A of the current thesis was to provide an understanding of the exploitative and exploratory organizational strategies, respectively. The answer was introduced in Part I, and further elaborated in Part II. The literature review found exploitation to be characterized by production, convergent thinking, reduction of variance, and continuous innovation, and exploration to be characterized by experimentation, divergent thinking, increasing variance, and discontinuous innovation. The research hypothesis formulated to verify or reject this theory has simply been that these two strategies exist. Torget is a market vertical with continuous innovation only, while Reise currently is in the early, exploratory phase. Torget's objective is

to exploit its current potential completely, while Reise, on the other hand, attempts to escape this exploitative culture. Also, the empirical material has confirmed that exploitative departments like Eiendom and Torget builds on Finn's past, while exploratory departments like Oppdrag and Reise creates future opportunities different from the past. Thus, H1 is confirmed—exploitation and exploration are in fact empirically acknowledged as two distinct pathways to profit.

13.2 Objective B

Objective B of the thesis was to provide an understanding of why these strategies traditionally have been considered two mutually exclusive extreme points of a paradox. Part II suggested a new, theoretical framework (the Pathway Framework) as the answer, where the opposing forces from both strategies have been decomposed into a structure of four conceptual levels. The top level is a choice between exploitation or exploration as the fundament for future strategy formation, where exploitative values such as discipline and effectiveness as one extreme point, conflicts with exploratory values such as learning by doing and trial and error as the other. The second level is the optimal tool corresponding to each of the two generic strategies, where the exploitative tool is lean thinking and the exploratory tool is organizational slack. The third level is the specific key performance indicator where the organization is expected to perform best. Organizations following an exploitative strategy should expect high effectiveness performance if lean thinking is properly institutionalized, while organizations following an exploratory strategy should expect a high innovation rate if slack is properly employed. Finally, the fourth level is where the paths coalesce in organizational profit. An integral corollary of the framework is that once a choice of generic strategy has been made, organizations should only expect the single corresponding KPI as result, not both. The paths are parallel and organizations do not necessarily have to achieve both simultaneously in order to maximize profit.

The main features of the Pathway Framework were transformed into three theoretical hypotheses subject to subsequent empirical assessment. Finn's most exploitative department, Torget, has deliberately terminated all experimentation, and does consequently not expect a particularly high rate of innovation. The interviews further revealed that lean thinking is in fact employed as the tool in exploitative departments. Conversely, the exploratory departments do not benefit from premature implementation of lean principles, after witnessing that such activity inhibits entrepreneurial spirit. However, proof of flexible schedules and experimental initiatives such as Finnopp and Sandbox being employed also in the exploitative departments, indicates traces of organizational slack that also here may lead to useful innovation. Thus, H2 is partly confirmed and partly rejected—exploitation does yield high effectiveness, but not necessarily low innovation rate. The story about Penger's conception proves that Finn is prepared to get the five profitless intrapreneurial initiatives before one success, and that the exploratory umbrella encapsulating these attempts indeed does result in innovation. However, the evidence also suggests that exploration is not necessarily a barrier for effectiveness, with such departments having few other true expenses than staffing, and using directed experimentation to avoid useless outcomes. Thus, H3 is also partly confirmed and partly rejected—exploration does yield high innovation rate, but not necessarily low effectiveness. Exploitation and exploration has been recognized as different mindsets in different departments in Finn, lean principles and organizational slack has been identified as institutionalized tools, and both effectiveness and innovation rate are key performance indicators used within Finn. Further empirical evidence shows that mixing the two concepts damages both. Thus, H4 is confirmed—the two pathways does in fact represent extreme points of a managerial paradox.

While the Pathway Framework might be a valid approximation within individual departments, it fails to model the case company adequately, as Finn manages to follow both paths simultaneously. Still, a prior

understanding of exploitation and exploration as two contradictory pathways to profit is necessary in order to decipher their coalescence. The Pathway Framework is necessary for such enlightenment. In order to comply with objective C and provide an understanding of how exploitation and exploration may be combined to a common path to profit, a prior understanding of the individual paths themselves is a prerequisite.

13.3 Objective C

Objective C of the thesis was to provide an understanding of how mature organizations can solve the paradox in order to achieve ambidexterity. Part 3 suggested a new, theoretical framework (the Ambidexterity Framework) as the solution, where the efforts of balancing the extreme points of exploitation and exploration have been hierarchically categorized according to the locus of implementation within the organization. The first distinction is whether the activities are conducted inside or outside the organizational perimeter. External efforts include outsourcing and domain separation through alliances and strategic networks, while internal efforts are categorized further into the next hierarchical level. The second distinction within internal efforts is whether the activities are in-house or a result of mergers or acquisitions. In-house efforts are categorized further into the next level, between sequential and simultaneous execution and the balancing modes themselves are found at the subsequent hierarchical level beneath. Simultaneous balancing modes include contextual ambidexterity, where employees use their own judgment for allocating their time and attention on exploitative and exploratory tasks, and spatial separation, where the organization's business units are configured in a fashion where some focus on exploitation and others on exploration. Sequential balancing modes include temporal separation, where an entire unit operates exploitatively one day, and exploratory the other, and punctuated equilibrium, where the entire organization cycles through longer periods of exploitation and exploration, respectively. Temporal and spatial separation are both called structural ambidexterity.

The Ambidexterity Framework was also transformed into theoretical hypotheses, and subject to empirical assessment. During the assessment, a different way of structuring the balancing modes emerged, linking the balancing modes more directly to the locus of implementation. The outcome was the Hierarchical Ambidexterity Framework, where the internal and external balancing modes are decomposed into a structure of four organizational levels. The empirical material revealed that contextual ambidexterity flows at the individual level, structural ambidexterity at the team or business level, punctuated equilibrium at the corporate level, and domain separation at the network level. Finn wields multiple of these balancing modes simultaneously. Staff distributing their own time between exploitative and exploratory activities at their own convenience is contextual ambidexterity, Torget's pure exploitative operating mode and the establishment of New Markets are structural ambidexterity, and the evolutionary cycle through entrepreneurial start-up, an exploitative period and yet another exploratory period currently erupting is a punctuated equilibrium. Penger is the last example of domain separation. Still, H5 is confirmed, the paradox can be balanced to combine exploitation and exploration. The employees' schedules are administered by themselves at the individual level, Torget and New Markets are on the business level and the evolutionary cycles are on the corporate level. Thus, H6 is confirmed, the balance can be applied at different levels in the organization simultaneously. Finn's remarkable success and profitability shows that the contradicting dictums of the two extreme points may perfectly well be combined without compromising yields. The empirical analysis in this master thesis has decisively confirmed that the organization is intermixing ideas from exploitative and exploratory work style every day, with overall distinction in both effectiveness and innovation rate, despite an identified potential of increasing the effectiveness even more. Thus, H7 is confirmed, solving the paradox does redound to ambidexterity.

In conclusion, exploitation and exploration are recognized as organizational strategies, confirmed by the related literature and empirical material. The interviews have confirmed that the strategies involve contradictory ideas, but that both paths coalesce in operating profit. The solution of the paradox is balance, and ambidexterity is the outcome. Implementing multiple balancing modes simultaneously is beneficial, and possible by distributing the ambidextrous efforts more deliberately at different levels in the organization. Finn is an ambidextrous organization, wielding multiple balancing modes simultaneously.

14 Further Research

The Pathway Framework was constructed as an attempt to better understand the tension between exploitation and exploration. The empirical material from Finn has partly rejected this as an adequate approximation for the entire organization as one unit, due to the company's ambidextrous nature. However, an organization pursuing only one of the generic strategies of exploitation and exploration would be an interesting perspective to consider. An obvious research question to examine is whether the framework in fact could be applicable for entire organizations, given a commitment to one strategy only. Another unresolved matter in this thesis is whether exploitation and exploration yields different types of profit. A recommended issue for researchers casting into this subject would be to examine the validity of exploitation resulting in short-term profit and exploration resulting in long-term sustainability. One additional recommendation is to investigate why Torget, as the most exploitative vertical at Finn, still establishes separate environments for experimentation outside the brand itself.

In terms of ambidexterity, further research could be conducted on how to combine internal and external strategies in order to attain ambidexterity. Another interesting approach would be to examine how these strategies could be implemented, and how the ideal choice of strategy varies across

industries and organizational size. Yet another important perspective to consider is the importance of senior management along the different strategic pathways to ambidexterity. Further, Section 11.1 has examined what organizational level ambidexterity originates from, trying to identify one particular level more important than the others to initiate the balancing efforts. The determination of one such level superior to the others in the context of ambidexterity balancing modes did not succeed in that Section, and is thus suggested for further research. A final research topic is the level of ambidexterity. This thesis indicates that organizations can achieve different levels of ambidexterity, depending on how well they capture the two extremes. The authors recommend further research to focus on what the minimum amount of exploitation and exploration need to be in order for attaining ambidexterity. In addition, it would be exciting to investigate if an organization could achieve a higher level of ambidexterity if it increased exploitative or exploratory efforts, respectively.

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Part V

Appendices

A Interview Guides

A.1 Interviews with Exploitative Perspective

Used in the following interviews:

- Wakas Asif
- Lars Erik Ribe Anderssen
- Bente Mari Kristiansen and Bjørn Henrik Vangstein

Exploitation/Lean/Effectiveness (25 min)

1. What is your position at Finn?
   a) Work tasks?
   b) Job description and level in the organization?
2. What is the main strategy for continuous improvement of Finns services?
3. Is it a distinct path to profit in your department?
4. Have you observed a particular mindset in departments with lean focus at Finn?
   a) How much focus is it on maximizing resources and minimizing waste?
5. Can lean thinking ever promote discontinuous innovation?
   a) How?

6. Can you describe the lean efforts at Finn?
7. What are the KPIs connected to lean efforts?
    a) Who are responsible for defining them?
    b) Are there similar KPIs for every market vertical and department or are they tailor-made?
8. What are the results of the lean efforts?
    a) Do you demand tangible and measurable results (reduce costs etc.)?
    b) What about the intangible results (work environment etc.)?
    c) Have you experienced any negative results or trade-offs connected to the lean efforts?
9. Do the employees accept and appreciate the lean efforts? Do you experience a percussion force for the program?
    a) Employees?
    b) Senior management team?
10. Can you define lean?

Exploitation/Exploration Structure at Finn (20 min)

1. Which department(s) are regarded as lean/effective and which are regarded as slack/innovative?
2. Where are the clearest distinctions?
    a) Between market verticals?
    b) Between support functions?
    c) Within a department?
    d) Entire Finn, but it varies in time?

3. Does it exist exceptions/combinations?

4. Is it less demand for an innovative/slack unit to demonstrate the net present value of its experiments, than for effective/lean units?

    a) Are there delegated more resources to innovative/slack units or effective/lean units?

5. What is your opinion on how Finn should be managed, plenty of organizational slack or plenty of control?

Exploration/Organizational Slack/Innovation (15 min)

1. What is Finn's main strategy for developing tomorrow's solutions and features?

2. Is it important for Finn to make sure that the employees have time to experiment in order to create new business opportunities?

    a) Where in Finn is experimentation accomplished?

3. Is the profit from established markets used as capital for new ventures?

4. Have you experienced experimentation in your department?

    a) Have you ever terminated experimentation processes in your department?

5. Do you often prioritize allocation of resources between established, profitable business units and uncertain, development projects?

6. Have you ever attended any innovation processes at Finn?

Bonus

1. Do you have a definition of innovation?

2. Does Finn have a definition of innovation?

A.2 Interviews with Exploratory perspective

Used in the following interviews:

- Ole Kristian Ullereng
- Bent Ove Jørgensen
- Christian Haneborg
- Nina Moi Edvardsen and Niklas Larsson

Exploration/Organizational Slack/Innovation (25 min)

1. What is your position at Finn?
   a) Work tasks?
   b) Job description and level in the organization?
2. What is Finn's main strategy for developing tomorrow's solutions and features?
3. Is it a distinct path to profit in your department?
4. Have you observed a particular mindset in departments with innovation focus at Finn?
   a) How much focus is it on experimentation?
5. Is it important for Finn to make sure that the employees have time to experiment in order to create new business opportunities?
6. Is the profit from established markets used as capital for new ventures?
7. Where in Finn does experimentation occur?
   a) Can those departments ever become resource effective?
8. Can you describe the innovation efforts at Finn?

9. What are the KPIs connected to new ventures and new features?
    a) Who are responsible for defining them?
    b) Are there similar KPIs for every venture/project?
10. How can innovation be measured?
    a) Do you demand tangible and measurable results?
    b) What about the intangible results?
    c) Have you experienced any negative results or trade-offs connected to innovation efforts?
11. Do the employees at Finn accept and appreciate experimentation?
    a) Employees
    b) Senior management team
12. Can you define innovation?

Exploitation/Exploration structure at Finn (20 min)

1. Which department(s) are regarded as lean/effective and which are regarded as slack/innovative?
2. Where are the clearest distinctions?
    a) Between market verticals?
    b) Between support functions?
    c) Within a department?
    d) Entire Finn, but it varies in time?
3. Does it exist exceptions/combinations?
4. Is it less demand for an innovative/slack unit to demonstrate the net present value of its experiments, than for effective/lean units?

a) Are more resources delegated to innovative/slack units or effective/lean units?

5. What is your opinion on how Finn should be managed—organizational slack or discipline?

Exploitation/Lean/Effectiveness (15 min)

1. What is the main strategy for continuous improvement of Finns services?
2. Where is continuous improvement conducted?
3. In what way do you get involved in the lean efforts at Finn?
   a) What are the result of these efforts?
4. Do you often prioritize allocation of resources between established, profitable business units and uncertain, development projects?

Bonus

1. Do you have a definition of lean/effectiveness?
2. Does Finn have a definition of lean/effectiveness?