

Chapter 88

Managerial Ambidexterity and Firm Performance: The Mediating Role of Knowledge Brokerage

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ABSTRACT

Ambidexterity or the ability by individuals or firms to simultaneously and synergistically pursue both exploitation and exploration activities has been found to have positive effects on firm performance. However, the ambidexterity literature has been predominated by the studies at the organizational level, and little is known about the antecedents and consequences of ambidexterity at the individual level. This study examines environmental dynamism and social network as the antecedents of managerial ambidexterity, and knowledge brokerage and firm performance as the consequences. This study tests the mediating role of knowledge brokerage on the relationship between managerial ambidexterity and firm performance. Data are collected from 308 senior executives working in technology manufacturing firms in Malaysia using a questionnaire survey. The findings reveal that environmental dynamism and social networks are significantly and positively related to managerial ambidexterity, and knowledge brokerage mediates the relationship between managerial ambidexterity and firm performance.

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INTRODUCTION

How do businesses survive in the face of change? Underlying this question is the debate about whether managers are able to adapt to fast changing global environments which are characterized by uncertainty, complexity and rapid technological change (Kirkels & Duysters, 2010). Drawing from the literature on managerial ambidexterity, managers divide their time and resources to exploit existing knowledge to solve short-term problems and explore new knowledge to seize long-term opportunities. Managers tend to prioritize exploitation to exploration as the returns from the latter are less certain and would take a longer time to accomplish (March, 1991). In theory, managers who are able to allocate balanced resources to exploration and exploitation are considered to be ambidextrous (O'Reilly & Tushman, 2004) but in reality, only few are able to do that because not everyone has both knowledge and competency to do it.

Based on the resource-based theory, managers are expected to seek for knowledge to possess the resources and capabilities that they can control in order to compete against their competitors in the industry. One of the ways to gain knowledge is to engage in knowledge brokerage practice. The literature refers a knowledge broker as an intermediary (an individual or an organization), who or which provides knowledge or links to sources of knowledge to an organization. Knowledge brokers may consist of the employees of an organization (internal staff) or they may be employees of professional knowledge firms external to the organization (Hargadon, 1998). In usual circumstances, competitive managers will engage in knowledge brokerage practices to acquire knowledge from individuals or organizations both internally and externally. Unfortunately, not all business organizations have systematic knowledge management practices that would enable them to gather, refine, and disseminate knowledge from and to various parties, especially from and to smaller firms. As such, knowledge brokers play a crucial role in providing managers with the necessary knowledge and expertise. Albeit the link between managerial ambidexterity and knowledge brokerage at the individual level, such studies in the academic literature are still relatively scarce. Moreover, research on ambidexterity that had been carried out are mainly organizational and team levels (Gibson & Birkinshaw, 2004) or interorganizational (Im & Rai, 2009), and asserted that research at the managerial level is still limited (Birkinshaw & Gupta, 2013, Volery, Mueller, & von Siemens, 2013). Knowledge brokerage, as a research topic, is prevalent in science, technology, research, and innovation fields (Jang, Kim, & Choi, 2015; Verona, Prandelli, & Sawhney, 2006) as well as environment and sustainable development policy (Sheate & Partidário, 2010, Ward, House, & Hamer, 2009), but there is hardly any studies had been done in business organizations with an exception of research of knowledge brokerage on project management (Holzmann, 2013). This study is regarded as an important study because it establishes an empirical link between managerial ambidexterity and knowledge brokerage activities, and examines their interrelationships with firm performance.

Specifically, the study examines the antecedents of managerial ambidexterity (i.e., environmental dynamism and social network), and its consequence (i.e., firm performance), and the relationship between managerial ambidexterity and knowledge brokerage, and their impacts on firm performance. Data are collected via a self-report questionnaire survey completed by 308 senior business executives comprising owners and managers, or technical professionals of the technology manufacturing firms in Malaysia. A quantitative data analysis technique using Partial Least Squares Path Modeling (*plspm* package in R) is employed for data analysis. It is hoped that business organizations will benefit from this study by gaining a better understanding of managerial ambidexterity and its relationship with knowledge brokerage and firm performance.

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