

Tatjana-Xenia Puhan

**Balancing Exploration and Exploitation
by Creating Organizational Think Tanks**

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With a foreword by Prof. Dr. Jetta Frost

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Foreword

Key for successful knowledge management is a balance between exploration and exploitation. Exploration means the generation of new knowledge in non-targeted search processes, while exploitation denotes the use of existing knowledge in targeted exploitation processes. The relationship between the two processes is one of fundamental tension; this poses a challenge to organisations which seek to make their knowledge management effective. There is a danger that exploration is neglected in favour of exploitation. This results in an organisation which lacks innovation capability. In order to prevent this, an idea has been put forward for debate in recent knowledge management research called ambidexterity, which means the simultaneous and balanced pursuing of both exploration and exploitation activities. In the following work, Tatjana-Xenia Puhan further develops this idea masterfully, by concluding that ambidexterity need not necessarily be implemented in one single organisation but can also be realised in a network of associated organisations. This approach, which she terms interorganizational ambidexterity is based on co-specialisation: one organisation is devoted solely to exploration, while associated organisations focus on their core competences in exploitation. Ms. Puhan additionally draws on the concept of the think tank. Think tanks play an increasingly important role in society: as a source of ideas, in an advisory capacity and sometimes even as devil's advocate for the purposes of injecting new momentum to current debate in society, business and science. Astonishingly, however, think tanks have hardly been examined in organisational research hitherto. Ms. Puhan develops in an original way the concept of think tanks as organisations which concentrate on radical innovations, while their network associates exploit this newly generated knowledge commercially. Ms. Puhan's contribution to elucidating this topic lies in her very masterful alternative solution to the problem of balancing exploration and exploitation, a problem which has hitherto been the subject of intense debate in knowledge management. Against the background of the hitherto largely inconclusive debate, this is an outstanding contribution both to knowledge management research and to practical organizational structuring.

Prof. Dr. Jetta Frost

Preface

Entrepreneurs in mature and well developed industries or markets face disproportionately high problems which arise due to the fierce competition for market shares and the clients' favor. Tight profit margins for established products lead to a market concentration that only these companies that produce in the most efficient way, can survive.

Those companies who can not – due to whatever reasons – win this market game have to be the champion in another discipline if they want to survive. The challenge they have to handle is the creation of radically new ideas that are transformed into products. Thereafter, these products need to be successfully commercialized and adequate returns have to be generated quickly enough before the first-mover-advantage is gone. However, this market strategy is highly challenging and demanding. It exposes a company to the dilemma of innovation which can be depicted as the trade-off between the requirements or needs of exploration on the one hand and exploitation on the other hand. It affects an organization's structures, its resource allocation, knowledge and corporate governance as well as its members. Thus it is essential for an organization's management to efficiently and effectively solve this trade-off.

While studying possible remedies for creating a balance between exploration and exploitation, I found that the prevailing concepts in theory and practice that yield at solving this essential trade-off are still afflicted with several pitfalls and shortcomings. In the course of my search for a solution of this problem, I got inspired by the idea that – at the level of societies – think tanks explore and create radically new ideas or concepts while officials from politics and economy exploit and implement them. Therefore the notion of the concept presented in this work is that if think tanks provide an adequate solution to a trade-off between exploration and exploitation at the level of societies, this could also be the case at the level of organizations. So in the course of this work the innovation dilemma is extensively explained and its theoretical roots are analyzed. Major concepts from theory that yield at solving the conflict are presented and discussed. In addition, their advantages and pitfalls are outlined. Furthermore, prevailing concepts from business practice are reviewed, analyzed and discussed. This scientifically based analyses and discussion finally allows for the creation of a management concept which solves the trade-off between exploration and exploitation by the creation of think tanks at an interorganizational level.

VIII

As this concept should not remain an idea of a solely abstract nature, this book also provides entrepreneurs and managers with particular pieces of advice about how they can implement such a concept.

Finally, I would like to thank my parents for the patience, love and understanding that they always show to me. This was an important determinant for my successful work and studies. In addition I would like to express my gratitude to my supervisor Dr. Rick Vogel for the ease with which we worked together and to Dr. Roland Wachs for helpful comments on my work.

Tatjana-Xenia C. Puhan

Table of contents

Foreword	V
Preface	VII
Table of contents	IX
Table of figures	XI
1 Introduction	1
1.1 Problem definition	1
1.2 Research objectives	6
1.3 Course of investigation	8
2 Problems and concepts of R&D alignment	11
2.1. Exploration vs. exploitation	11
2.1.1 Exploration and exploitation in organizational learning	12
2.1.1.1 Mutual leaning and the exploration vs. exploitation trade-off	13
2.1.1.2 Competition for primacy and the exploration vs. exploitation trade-off	15
2.1.1.3 Introducing interpersonal learning and tacit knowledge to March 1991	18
2.1.2 The productivity dilemma	21
2.1.2.1 Coevolutionary lock-in	24
2.1.2.2 Absorptive capacity	25
2.1.2.3 Organizational routines	27
2.2 Ambidexterity and punctuated equilibrium	30
2.2.1 Ambidexterity	30
2.2.2 Punctuated equilibrium	33
2.2.3 Ambidexterity vs. punctuated equilibrium	35
2.3 Interorganizational ambidexterity	39
3 Shifting think tanks from the macro- to a meso-level	45
3.1 Political think tank concepts	45
3.1.1 Traditional think tank concepts	46
3.1.2 Modern think tank concepts	49
3.1.3 Think tanks and societal ambidexterity	50
3.2 (Inter-)organizational exploration concepts	53
3.2.1. Individual organization level exploration concepts	55
3.2.1.1 Radical innovation	55
3.2.1.2 Skunkworks	58

3.2.1.3 Bell Labs	59
3.2.1.4 Distinguished engineers	61
3.2.1.5 Comments on intraorganizational exploration	64
3.2.2 interorganizational level exploration concepts	65
3.2.2.1 Open innovation	66
3.2.2.2 Organizational networks as strategic alliances	70
3.3 Organizational think tanks	82
3.3.1 Organizational think tank structures	82
3.3.2 Organizational think tanks vs. intraorganizational exploration	90
3.3.3 Organizational think tanks vs. interorganizational exploration	92
4 Critical issues of the organizational think tank approach	95
4.1 Discussing organizational think tanks	95
4.2 knowledge governance	100
4.2.1 Knowledge governance challenges in the org. think tank approach	101
4.2.2 The charm of governing knowledge in an org. think tank approach	104
4.3 Management recommendations	109
5 Conclusion	115
5.1 Summary, conclusion & criticism	115
5.2 Suggestions for further research	118
Bibliography	121

Table of figures

Figure 1: The summarized framework of the paper	10
Figure 2: The scope of ambidextrous organizations	31
Figure 3: Single domain mutual exclusivity of exploration and exploitation	40
Figure 4: Orthogonality between exploration and exploitation at a multi-level	40
Figure 5: R&D Management System	57
Figure 6: Interorganizational networks – between market and hierarchy	73
Figure 7: Organizational think tank concept	87
Figure 8: Knowledge governance	102