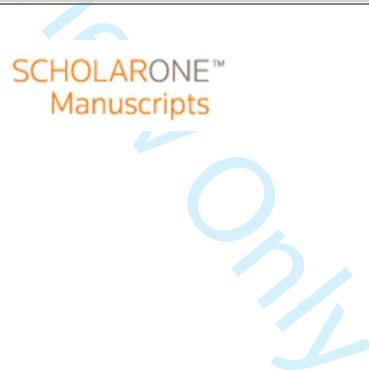




Organisational Ambidexterity in the UK Financial Services: A Corporate Level Perspective

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Abstract

This article fills theoretical gaps in the scholarly discourse of organisational ambidexterity (OA) by focussing on the concepts of balanced dimension (BD) and combined dimension (CD) of OA. Through a qualitative cross-comparative case study method it investigates BD/CD at corporate level within the dynamic and competitive UK financial services sector. The study brings greater clarity on the construct of OA and its use in real practice. It shows that forms of OA, CD and BD, are influenced by the firm's strategic choice in specific market segments. Niche players pursuing focussed differentiation attain a CD, whereas large players pursuing cost leadership attain a BD of ambidexterity. Exploitation-exploration efforts are triggered by sets of firm's contingencies that are distinctive to each dimension. Resource flexibility moderates the attainment of desirable ambidexterity's dimensions in contexts of munificent resources. At the corporate level, managers' long tenure facilitates OA. Theoretical and practical implications are offered.

Introduction

Under dynamic and competitive environments (Jansen *et al.*, 2006), firms are urged to become ambidextrous that is the ability to deal with the competing demands of exploitation and exploration at the same time (Simsek, 2009). Since March's (1991) original conceptualisation of organisational ambidexterity (OA) as two opposite poles (exploitation-exploration) of a continuum, like a zero-sum game (Chang and Hughes, 2012), conceptualisations of OA have bifurcated between the concept of the balanced dimension (BD), which is anchored on March's conceptualisation of the need to find an optimal and simultaneous balance between exploitation and exploration, and a more recent construct, the combined dimension (CD) of OA (Cao *et al.*, 2009; Junni *et al.*, 2013) where exploitation and exploration are not conflicting, but rather orthogonal and complimentary (Gupta *et al.*, 2006). In the meantime, paralleling this development, an organisational-centric paradigm articulated in two complimentary perspectives, structural/architectural and contextual/behavioural (Raisch *et al.*, 2009), has developed and become central to most studies of OA. The latter are mainly focussed on the OA-performance relationship particularly in resource-constrained contexts situated in dynamic and competitive environments, i.e. high-tech and services industries (Junni *et al.*, 2013).

Despite the burgeoning literature, there remain theoretical and methodological gaps. First, most quantitative studies are unclear about the concept of OA, whereby different measurements of the construct are employed. This has implications on the OA-performance relationship with inherent empirical results that are difficult to compare across studies (He and Wong, 2004; Lubatkin *et al.*, 2006). Second, the exploitation-exploration relationship is not just an organisational one determined by firm's contingencies, but is also a dynamic one in the sense that it is moderated by environmental peculiarities, such as dynamism and competitiveness (Jansen *et al.*, 2006); the latter ultimately impacts on the effectiveness of a

firm's strategic posture (Dess and Beard, 1984). The moderating effects by the environment are mostly neglected in organisational-centric studies, thus undermining the reliability of the OA-performance relationship and management decisions. Third, although OA is a multi-levelled phenomenon (Russo and Vurro, 2010), studies of exploitation-explorations' efforts are mostly focussed on a unit of analysis at the lower level (business unit, sub-unit/teams); notwithstanding the relevance of these studies, compounding effects at the higher firm level (corporate) that impact on firms' performance are neglected. Furthermore, a lower-unit level of analysis cannot fully capture higher-level qualitative aspects of OA that are linked to the firm's strategic position in a given industry. Such gaps that concretise in the omission of additional yet relevant variables from the OA-performance relationship limit understanding of the OA phenomenon. Fourth, most empirical investigations are quantitative (Gibson and Birkinshaw, 2004; Lubatikin *et al.*, 2006; Lucena and Roper, 2016; Cegarro-Navarra, 2018); more qualitative studies (Jansen *et al.*, 2006; Junni *et al.*, 2013) are needed to understand how exploitation and exploration efforts are initiated at different levels to better support management decisions. Particularly, corporate level efforts are not captured in existing studies.

Therefore, heeding the call for more empirical qualitative research (Jansen *et al.*, 2006; Hotho and Champion, 2010) this study contributes to advancing the research of OA to account for better clarity of the OA construct and its practical implications that are explained by intra-industry heterogeneity (Jansen *et al.*, 2006; Decker and Lange, 2016), environmental peculiarities (Junni *et al.*, 2013; Jansen *et al.*, 2006; D'Souza *et al.* 2017) and firms' contingencies (Junni *et al.*, 2013; Jansen *et al.*, 2006) that all matter in achieving dimensions of ambidexterity. Hence, this study was guided by the following question: which dimensions of OA do firms choose under a dynamic and competitive environment and how exploitation and exploration efforts are initiated at the corporate level? We investigated the key research

question by adopting a qualitative cross-comparative case study method of eight firms operating in the UK dynamic financial services industry. 41 semi-structured interviews were conducted at the firms' HQs with senior managers. The qualitative method is not only appropriate to explore the set of questions that are investigated but also provides additional qualitative nuances to different dimensions of OA, which are relevant for the operationalisation of this construct in future comprehensive quantitative studies focussed on the OA-performance relationship.

This paper contributes to the advancement of the field OA through a number of contributions, primarily by bringing greater clarity on the construct of OA and its theoretical and practical implications. In doing so, we show that forms of OA, CD and BD, are influenced by the firm's strategic choice to compete in specific competitive market segments. We contribute to raising the theoretical discourse from a lower level, which is internal-organisational centric, to the higher corporate level that is closer to an environmental-centric focus (D'Souza *et al.*, 2017). This is important in order to re-balance the internal-external environmental study approach to the phenomenon and make it closer to business practice. Furthermore, the study provides additional clarifications to Cao *et al.*'s (2009) findings, showing that in environments characterised by resource magnificence choices of CD of ambidexterity are impacted by more resource flexibility rather than resource availability. CD's and BD's efforts are triggered by respective sets of social and organisational characteristics (i.e. learning, structures and culture). These firms' contingencies should be taken into account in the modelling of OA and subsequent quantitative explorations of the OA-performance relationship. Finally, the findings would suggest that managers' long tenure within the same firm is not detrimental to exploration; instead it supports forms of OA. In the next section, we provide an overview of concepts of OA and prevailing streams of research. This is followed by the overview of research methods and presentation of the qualitative

findings. Then follows a discussion of the empirical results, theoretical and practical implications and recommendations for future research.

Literature review: Organisational ambidexterity

Conceptualisation of Organisational Ambidexterity: March's Perspective

OA is a concept that scholars in the strategic management domain have increasingly referred to when analysing strategic acts under increasingly dynamic and competitive environments (Jansen *et al.*, 2006). Under these environments, firms are urged to become ambidextrous, that is the ability to pursue both exploitation and exploration activities. Exploitation is about alignment of current activities and increasing efficiency in the use of resources, whereas exploration is about developing (or adaptation) of new business activities that involve increasing requirement of resource flexibility (de Visser *et al.* 2010; Gibson and Birkinshaw 2004; Raisch and Birkinshaw, 2008; De Clercq *et al.* 2014; Markides, 2013; Dougherty 2008; Fauchart and Keilbach 2009; Tushman *et al.* 1997; Ford and Ford 1994; Brown and Eisenhardt, 1997; Levinthal and March, 1993; Andriopoulos and Lewis 2010). Particularly, exploitation entails continuous improvement of existing products, services and processes, whereas exploration entails experimenting with new ideas and innovations in terms of new products, services (O'Reilly and Tushman, 2008).

Fundamental to this theoretical development has been March's (1991) original conceptualisation of OA, where exploration and exploitation are seen as two opposite poles of a continuum, like a zero-sum game (Chang and Hughes, 2012) that poses conflicting demands on firms (Simsek *et al.*, 2009). Typically, exploitation's requirements of short-termism, efficiency, discipline, incremental improvement and continuous innovation are in tension with the exploration's requirements of long-termism, flexibility, more autonomy, risk taking, less formal systems and control (O'Reilly and Tushman, 2008). In March's

conceptualisation there is an implicit recognition that firms have to simultaneously engage in sufficient exploitation of existing assets and capabilities to ensure their current viability and, at the same time, to devote enough energy to exploration to ensure their future viability (Levinthal and March, 1993). In this conceptualisation, trade-offs between exploitation and exploration are unavoidable and organisational ambidexterity (OA) is about resolving them by finding an optimal degree of emphasis between the two poles (Simsek *et al.*, 2009).

Balanced Dimension and Combined Dimension of OA

Since March's (1991) seminal article, conceptualisations of OA have polarised between the concepts of balanced dimension (BD) and combined dimension (CD) of OA, which position ambidexterity as achieving, respectively, an optimal, best described at a midpoint, between exploration and exploitation activities, or a combination of high levels of both exploration and exploitation (Cao *et al.*, 2009; Junni *et al.*, 2013). Within the dominant BD perspective scholars converge on March's (1991) original view, that firms will have to simultaneously engage in sufficient exploitation and exploration (Tushman and O'Reilly, 1996; Andriopoulos and Lewis 2009; Raisch and Birkinshaw, 2008). The BD perspective argues that, on the one hand, too much focus on exploitation of existing competences can lead to a "success trap" reinforced by organisational inertia and subsequent firms' inability to adapt to changes taking place in the external environment (Junni *et al.*, 2013); on the other hand, too much focus on exploration can lead to a "failure trap" since new innovations or competences are replaced too quickly before they can be fully exploited and make a positive contribution to firm performance. O'Reilly and Tushman's (2013) review of March's (1991) original construct warned about the costs associated with either over estimation or under estimation of ambidexterity, and concluded that firms should aim for a BD of ambidexterity in the short and long run to ensure firm's survival.

In this purview, BD studies have been anchored on the tension of resources allocation between exploitation and exploration, with an attention to firms' size, amount of resource available as moderating factors of the OA-performance relationship (Cao *et al.*, 2009; Junni *et al.*, 2013), and organisational mechanisms to achieve balance between the two poles. The latter have suggested organisational solutions targeted at the firm and sub-unit level. These studies mostly focus on industries characterised by high dynamism, i.e. high-tech, services industries on the assumption that OA is highly beneficial to these firms' performance (Junni *et al.*, 2013; Cao *et al.* 2009; D'Souza *et al.*, 2017). Yet, considerations of industry's dynamics and heterogeneity due to changing environmental contexts to which actors have to respond to (Decker and Lange 2016; Quirke, 2013) are not included. In sum, studies of OA have largely assumed that all firms are strategically homogenous.

In the CD of OA, exploitation and exploration are not seen as opposite poles of a continuum, but as "independent activities, orthogonal to each other, such that firms can choose to engage in high levels of both activities at the same time" (Cao *et al.*, 2013, 781). Exploitation and exploration activities are seen as complimentary in that they can support and reinforce each other (Gupta *et. al.*, 2006). In such purview, high levels of exploitation and exploration activities are seen impacting positively on firm's performance via the development and leverage of complementary resources between the two sets of activities. Furthermore, in recognising the positive effects of both dimensions on firms' performance, scholars have also considered ambidexterity as a blend of the BD and CD (Gibson and Birkinshaw, 2004; Lubatkin *et al.*, 2006). The CD is a more recent construct and scholarly attention to is growing. The focus of these studies so far has also been on high-tech sectors characterised by high environmental dynamism and with a particular focus on SMEs which are largely resource-constrained (Clercq *et al.*, 2014; Chang and Hughes, 2012; Tan and Liu, 2014; Patel *et al.*, 2013; Lubatkin *et al.*, 2006). For instance, Cao *et al.* (2009) in studying the

OA-performance relationship on a sample of high-tech SMEs in China found that a CD is mostly beneficial to firms having larger access to resources, whereas BD is mostly beneficial to firms that are resource constrained.

Junni *et al.*'s (2013) meta-analysis of studies that used both dimensions of OA found that, at industry level, OA overall is less important to performance of manufacturing than services and high-tech sectors. This suggests that OA has greater positive effects in more dynamic environments (Simsek *et al.*, 2009) since high environmental dynamism may push firms to continuously look for new opportunities in addition to exploiting existing resources, because certain competitive positions are only short-term (Brown and Eisenhardt, 1997). In sum, we argue that the OA construct requires more clarity around the articulation of specific concepts and inherent applications and environmental moderators. Such clarity would be beneficial to improving the accuracy of empirical investigations (Junni *et al.*, 2013), particularly as far as the OA-performance relationship and organisational mechanisms to achieve OA are concerned.

Prevailing Research Perspectives of OA

The burgeoning literature of OA has developed through an organisational-centric paradigm culminating in two prominent research perspectives, structural/architectural ambidexterity (Gupta *et al.*, 2006) and contextual/behavioural ambidexterity (Gibson and Birkinshaw, 2004). These perspectives, although distinctive in their emphasis on units' separation versus units' integration, are fundamentally firm's centric and approach phenomenon through a multi-level analysis (Junni *et al.*, 2013; Russo and Vurro, 2010), which is often taken to the lower level (i.e. business unit, intern-unit through alliances, team and individuals, although studies of the latter two micro-units are very few). The former emphasises structural separation (Duncan, 1976) of the exploitative and explorative activities

in separate units, each one with its different set of competencies, organisational structures, culture, systems, incentives and processes (O'Reilly and Tushman, 2008). Units pursuing exploration are usually smaller, more decentralised and agile than units pursuing exploitation (Benner and Tushman, 2003; Christensen, 1998) and, therefore, more adaptable to pursue new business opportunities. In large organisations, very often, these decoupled units need re-integration to attain efficiencies.

The structural/architectural perspective is anchored on March's (1991) conceptual need of resolving trade-offs, particularly overcoming conflicting resource demands between the exploitative-exploration poles (Gilbert, 2005); yet, alone, it cannot provide an optimal solution for overall firm's performance since separation entails that important economies of scale and scope are difficult to be realised. Although structural/architectural mechanisms are pursued to achieve a BD of ambidexterity, mainly in contexts characterised by resource availability, i.e. large size firms and in munificent environments (Junni *et al.*, 2009), they are unsuitable to support duplicating efforts (Voss and Voss 2013; Chang and Hughes 2012; Lubatkin *et al.* 2006; Andriopoulos and Lewis, 2009) in SMEs that lack sufficient resources (Forbes and Milliken, 1999). Hence, scholars have increasingly devoted their attention to complimentary contextual/behavioural mechanisms that focus on units' integration in resource-constrained contexts, or units' re-integration after separation in contexts characterised by large resource availability (Einsehardt and Martin, 2000). In sum, these contextual/behavioural mechanisms, which also favour knowledge integration and inherent exploitation-exploration synergies (Raisch *et al.*, 2009), enable firms to achieve a BD of ambidexterity through units' interdependency, thus impacting on value creation and improved financial performance (Einsehardt and Martin, 2000; O'Reilly and Tushman, 2008). Within this perspective, quantitative empirical studies have found that a shared vision (Jansen *et al.*, 2008), top management team integration (Lubatkin *et al.*, 2006), knowledge

integration mechanisms (Tiwana, 2008), cultural values and flexibility (O'Reilly and Tushman, 2008), team cooperation, autonomy and rewards (Gibson and Birkinshaw, 2004), centralised strategic planning coupled with dispersive participative decision processes (Andersen and Nielsen, 2007), high-performance work systems (Patel *et al.*, 2013), a context of stretch, discipline, support and trust (Gibson and Birkinshaw, 2004) are essential to achieving a BD of OA and improved OA-performance relationship (He and Wong, 2004; Gibson and Birkinshaw, 2004; Lubatkin *et al.*, 2006).

Despite providing relevant insights into the OA phenomenon from a micro unit-level perspective, organisational-centric studies take a static view of OA in that organisations become ambidextrous by adopting certain organisational configurations (Raisch *et al.*, 2009). In doing so, they tend to neglect the dynamic nature of the exploitation-exploration relationship: not only firms' contingencies but also varying levels of environmental dynamism and competitiveness (Jansen *et al.*, 2006) impact on the OA-performance relationship (Junni *et al.*, 2013). It is noted that organisations face multiple environmental conditions, i.e. ambiguous and unpredictable (Eisenhardt *et al.*, 2010), and operate in multiple market segments where some are more competitive than others. Studies of OA should account for moderating environmental factors; for instance, greater environmental dynamism and competitiveness in specific market segments require more flexibility and less structure in balancing efforts of exploitation-exploration (Eisenhardt *et al.*, 2010). On a similar vein, strategic management scholars noted that environmental dynamism impacts on the effectiveness of a certain strategic posture (Dess and Beard, 1984). Jansen *et al.*'s (2006) large survey in the financial services industry, undertaken at the sub-firm unit level (i.e. branch), suggests that pursuing exploration was more effective in dynamic environments, whereas pursuing exploitation was more beneficial to a unit financial performance in more competitive environments. Jansen *et al.*'s (2006) remains one of the few large

comprehensive quantitative studies considering both organisational antecedents and environmental moderators of OA. Yet, gaps remain in the understanding of how exploitation\exploration efforts are initiated under certain environmental conditions (Jansen *et al.*, 2006).

In heeding Jansen *et al.*'s (2006) call for qualitative research, we argue that such efforts can be better captured through qualitative case studies; these studies should also be attentive to connotations of OA, i.e. CD and BD, since different conceptualisations imply different organisational mechanisms and strategic response for achieving ideal forms of OA under the environmental moderating effects. Furthermore, we argue, that these efforts should be considered within the overall corporate strategic posture that a firm chooses to adopt in response to certain market competitive dynamics. By doing so, the lower-unit level analysis (i.e. inter-firm, team, individual) can be taken up to the higher level, i.e. corporate level, where the effects on the OA-performance relationship are compounded (Junni *et al.*, 2013). We propose that such theoretical positioning will also contribute to moving the scholarly discourse from an internal organisational-centric focus closer to an external environmental-centric one that is based on the industry and external benchmarks (D'Souza *et al.* 2017).

In sum, we propose that organisational-centric studies of organisational antecedents of the OA-performance relationship provide only one facet of OA, thus preventing comprehensive understanding of the phenomenon if external environmental moderators (i.e. dynamism and competitiveness) are not captured in this relationship. In joining the growing call for considering environmental characteristics (Lavie *et al.*, 2010; Turner *et al.*, 2013; Junni *et al.*, 2013) and qualitative studies (Jansen *et al.*, 2006; Hotho and Champion, 2010), we also emphasise the need of clarity in the conceptualisation of OA, i.e. BD/CD, and the need to raise the theoretical discourse at the corporate firm level to account for firms' strategic choice. Empirical investigations conducted at the lower level to understand

organisational determinants of OA might not be sufficient to capture cumulative effects of exploitation/exploration that tend to be stronger at the higher organisational level (Junni *et al.*, 2013). Hence, a qualitative corporate level analysis enables understanding of how these cumulative effects might be triggered.

Methods

The research aimed to explore organisational ambidexterity with regard to forms (i.e. CD and BD) of OA that financial services firms pursue and organisational determinants under the dynamic and competitive environment of the UK financial services. The objective was to explore *how* forms of ambidexterity were shaped by specific *organisational and strategic antecedents* and understand the inherent reasons (*why*). A multi-case study research design (Eisenhardt, 1989) was chosen. In order to achieve the proposed objective, we followed Eisenhardt's (1989, 545) recommendation that, "a number between four and ten is acceptable" so that a convincing empirical grounding could be generated. On the other hand, a number of more than ten cases will be problematic due to overwhelming data quantity (Pettigrew, 1988) and a complex and extremely difficult data analysis (Eisenhardt, 1989). These considerations led us to choose a theoretical sample of eight firms' cases (Table 1).

INSERT-TABLE-1-HERE

Although an initial "random selection is considered neither necessary, nor even preferable" (Eisenhardt, 1989, p. 537), in this research it was useful in order to get the data collection process started, thus overcoming difficulties of access to potential informants from firms' senior management level. Researchers' early access to different size companies was critical as it enabled to identify and select additional yet comparable firms that the firms' informants regarded as close competitors in terms of size and product market segmentation. This ultimately led us to select only theoretically relevant cases. We treated each case as an

experiment that enabled us to confirm/disconfirm the findings emerging from the other additional cases (Yin, 2009). Overall, we sought firms with similarities – i.e. similar product portfolio profile - that would facilitate comparisons and replication, yet with some degree of heterogeneity – i.e. different firms' size and a few new entrants - that proved useful for generalizability.

Research Context

The research focused on the UK financial services characterised by a dynamic environment due to technological change (Dess and Beard, 1984; Jansen *et al.*, 2006), which has been a continuous process that took place for most of the 1990s and 2000s, mostly induced by the introduction of new technologies, particularly ICTs – i.e. internet and mobile communication -, thus leading service firms to constantly reconsider their business and management practices. Our research context proved suitable to studying OA in services for a number of reasons. It enabled us to capture managers' interpretations of innovation and the ambidexterity ability of their firms under a dynamic environment that presented their companies with external opportunities/challenges induced by new technologies (i.e. internet technologies). New technologies represented opportunities for cost reduction, customer service enhancement for the existing players (Albright, 2000; Xue *et al.*, 2007; Consoli, 2005; ABA Bank Marketing, 2005; LaBarre, 2012; Wu *et al.*, 2014) and introduction of new products. Whilst the sector was – and is still - dominated by large established players (Cosmo, 2013; Barty and Ricketts, 2014), new internet technologies had also enabled new players to enter the financial services sector from adjacent industries – i.e. retailers were entering into banking via the offering of specialised product segments such as credit cards, loans, savings, insurance and mortgages (Matthews *et al.*, 2007; Cruikshank, 2000); at the same time, within the sector, insurers and building societies challenged banks on their off-balance sheet activities (Matthews *et al.*, 2007).

The changes taking place in financial services also leveraged specific intangible knowledge assets, the employees (Antonacopoulou, 2000, 2001, 2006), who, through learning development, had acquired competence in product/service development, delivery and customer service. Within established players, senior managers who had been with their organisations for a long time (i.e. nearly twenty years) had developed through designed career paths that exposed them to job role variety within specific company functions and related diversified knowledge and skill range. These trends taking place in the UK financial services were also taking place in adjacent industries, i.e. retailing and manufacturing.

Data Collection

The empirical research was conducted during a two-year period (2006-2007) at the parent company (HQs) of 8 retail financial services which all operated in all counties of the United Kingdom throughout an extensive network of branches, except e-Bank (e-B) and MoneyFirst (MF), which were relatively new entrants operating only online. At the time of the interviews these companies had altogether an average history of 128 years with the oldest company (SSB) founded in 1765 and the newest company founded in 1996 (e-B). The new entrants included in the sample, e-Bank (e-B) and MoneyFirst (MF), were respectively founded in 1996 and 1993. Both companies fully implemented internet technologies to launch new radical products. e-B and MF were included in the sample since they reflected increasing competition driven by new technology; hence, their inclusion strengthened internal validity. The new entrants also satisfied the sample's selection criteria, which were based on the degree of product specialisation: focused specialisation (or higher product differentiation targeted at restricted higher valuable customer groups) versus mass distribution of basic products across larger volume of customers. The selection criteria, which were verified with the interviewees during the fieldwork, enabled to distinguish two groups of players respectively labelled as 'niche players' and 'large players'. Whilst large players' portfolio

presented a larger product diversification (including current accounts, debit & credit cards, mortgages, savings, pensions, investments, insurance, personal and business loans, private banking with lots of product extensions in terms of features' variation, i.e. interest rates), the niche players' product portfolio included fewer products since these companies privileged product specialisation over mass distribution. Particularly the niche players had built a strong brand reputation for one or more products which was reported in the financial press and independent advisers' rankings of best products. For instance, the HB had built a reputation for mortgage and credit cards, e-B for savings, MF for credit cards, and BSB for mortgage and investment. By contrast, the larger players had a more extensive product diversification in that they tended to extend their existing lines of products by modifying some of their features to add additional product variations to the range. By doing so, the large players were able to increase the sales to existing customers or gain new customers from competitors. The niche players were also comparatively smaller than the large players in terms of average assets and number of employees. Niche players had a total asset average of £6,175,061,675 and 6,233 average number of employees; large players had a total asset average of £69,900,050,000 and 25,250 average number of employees (Table 1).

Given the sensitivity of the data and industry's copycat strategies there was an extensive embargo period for the public use of the data. However, to date, all these companies are still operating in the UK, thus surviving through challenging years including the latest financial crisis of 2008; and financial services is still the core of their business. 41 semi-structured interviews were undertaken with a number of senior managers who were responsible for a particular functional area of the business (Table 2). Having at least five years' experience was an additional selection criterion for the interviewees and this was aimed at ensuring the interviewees had enough knowledge of the companies' business practice, management and strategies. In most of the cases, except for a few job positions, our

informants across the two strategic groups, had been within their companies for nearly twenty years. An exception was represented by the informants for e-Bank and MF, who had been with their companies for a mean company tenure respectively of 7 and 8.4 years owing to the fact that these two companies were new entrants in the retail financial services industry. Having navigated through the career path for such a long period of time, they had an in-depth knowledge of the business and management practices. This reassured access to the right informants for knowledge construction, reinforced by definitions of job roles linked to specific *company functions* (Duchesneau *et al.*, 1979).

INSERT-TABLE-2-HERE

These interviews elicited each person's perceptions, accounts and interpretations about firms' ambidexterity particularly in regard to their ability to introduce new products (exploration) or simply modifying the existing ones (exploitation), manifestations of them and the impact of firm's organisational characteristics and environmental factors, such as the introduction of new technology and increasing competition. In the context of financial services, exploration innovations are related to developing new products and services, such as fundamentally new structures of loan, mortgage, insurance, credit/debit cards (Uzzi and Lancaster, 2003; Jansen *et al.*, 2009); whereas exploitative innovations are usually related to aggressive lending, shopping the market and increasing efficiency (Uzzi and Lancaster, 2003). Managers were asked to provide not just examples of innovations, but also of how their companies innovated, particularly with regard to exploration and exploitation learning.

Internal validity was strengthened through maintaining this focus during interviews, supported by interview protocols (Table 3) (Yin, 2003; 2009). The interview was used more like a guide rather than a rigid protocol. Hence, they were complemented by other ad-hoc questions related to the role of technology in enabling innovation and inherent challenges if

any, i.e. costs and times of adoption. Qualitative data from the interviews were also verified against firm documentation (Table 4). These archival data together were useful since they enabled to corroborate the information from the interviews to verify their internal validity. For instance, when managers referred to a particular product or service, or HR practice, or IT dimension, or market growth, etc. the firm's archival data provided factual evidence of the concerned product/service and management practice.

INSERT-TABLES-3-4-HERE

Data Analysis

This study applied a coding system based on the principles of Corbin and Strauss (2008, 66), thus “taking raw data and raising it to a conceptual level”. Codes are in this sense seen as labels assigned to specific meanings of components (terms, expressions and phrases) (Corbin and Strauss 2008; Miles and Huberman, 1994). We treated each case as a separate experiment which led us to identify broad categories within each case. Specifically, these broad categories represented the first-order codes that offered general insights into the ambidexterity phenomenon (Table 5). In order to ensure validity, multiple strategies (Gibbert and Ruigrok, 2010) were followed: first, data coding was run through several reiterations supported by the use of constant codes' comparison and interpretative memos; second, in addition, the original text was regularly examined in its fuller context (Miles and Huberman, 1994), and corroborated with the archival data and overall meaning in order to decide upon categorization; third, subsequently, within each case, links were established amongst first-order codes, thus grouping them into second-order codes; four, early drafts of the evolving case studies were reviewed by an independent academic. Each completed case was then checked by the managers interviewed in each company for consistency and accuracy. These operations enabled to build construct validity. In order to ensure internal validity, the constant comparative method was used in order to test the emerging insights in similar cases;

subsequently diagrams were drafted to establish the cause-effect relationships between emerging findings, i.e. dimensions of OA, firms' characteristics; then through pattern matching, emergent concepts were compared with the extant literature (Eisenhardt, 1989) which enabled iterative movements from research context to literature during the study. Finally, theoretical perspectives of OA and its determinants were used to interpret the findings.

External validity was pursued through clear case selection criteria and then cross-case study analysis that provided the basis for analytical generalisation. To increase data reliability, interviews were recorded and transcribed verbatim and each code was cross-checked against long extract of data within each case and across cases. The coding was generated manually through two stages: first, two coders were involved in the review of the first-order codes checked against data extracts; after a few reiterations only those codes on which there was full agreement between the two coders were retained; in stage two, the coders undertook second-order coding manually. Achieving agreement on the final second-order was quicker than in stage 1. Third-codes were derived by the coder after having consulted with the independent coder.

Intra-case analysis was followed by cross-case analysis according to Miles and Huberman's (1994) suggested techniques. This led us to search for similar second-order codes across the eight cases, clustered into two strategic groups, respectively *niche players* and *large players*. Similar codes were grouped into aggregated concepts (third order codes) that served as a basis of the emerging framework. The third order codes were labelled by capturing the content at a higher level of abstraction, referring when possible to the existing literature that described similar concepts. The last part of data analysis drew on existing studies on the concepts of ambidexterity to refine understanding and knowledge development

and only the most robust findings were focused. Tables 5(a)-5(b) present the data coding structure.

INSERT-TABLES-5(a)-5(b)-HERE

Findings Emerging from Cross-Case Studies Data Analysis

Our inductive analysis enabled us to distinguish two different groups of firms, niche players (HB, BSB, MF and e-B) and large players (SSB, BSA, BSC and GI), which showed different innovative behaviour. Tables 6-13 include data interview' excerpts matching our code categories (Tables 5a - 5b).

Niche Players: Manifestations of Organisational Ambidexterity (OA)

Niche players' OA was reflected in their *capability to introduce new products and services quickly* to the market and *change their management systems on a regular basis*. Being quick in reacting to market changes was an *internal capability* that these companies had learned over the years. Managers provided various accounts of such manifestations. HB was, for instance, the first UK bank to offer free banking, an interest bearing cheque account, a free Gold Visa, which were then adopted by the rest of the industry and to introduce some of the latest technology such as telephone, mobile and internet banking, and unmanned branches in response to the ICTs-driven changes. The stand-alone internet bank e-B has also been at the forefront of the adoption of new technologies and multiple systems of communication with the customer, such as hand-held devices, laptops, mobile phones, and digital TV. MF has always had a reputation for matching technology with market opportunities; has been at the leading edge in building a sophisticated Information System Technology platform that has enabled to get into new market segments and develop innovative offerings - credit cards - tailored to individual customers' requirements. BSB has

always distinguished itself in the provision of innovative savings accounts, mortgage finance products and mortgage related insurance products, which were then imitated by competitors.

Overall, it was *how things were done* that mattered more than simply introducing new products to the market. In managers' views, an exclusive reliance on *product innovation* was not useful due – as many managers put it - to the “commoditising” character of many financial services offerings. Instead, *being first* in the introduction of new products and *being able to change rapidly and on a regular basis* were all relevant attributes that managers acknowledged in their accounts of exploitative and explorative innovative activities.

Large Players: Manifestations of Organisational Ambidexterity (OA)

Large players' manifestations of OA concretised in sequential/temporal ambidexterity: long periods of exploitation alternated with brief periods of exploration, although exploitation was predominant. Exploitation was about *product development concretised in the improvement of existing products and services*. Managers regarded exploitation not significant, given the *commoditising* character of financial services. Some managers were sceptical towards the practices of their firms for not prioritising explorative innovation. Most of the arguments were that innovation “was not a priority...or area of competitive advantage”; that most of the business was about “distributing products to as many people as possible”; that there was clearly an excessive focus on the “short-term objectives” and “the lack of courage to embrace radical change”. In a sense, exploitative innovation mostly coincided with *mass distribution of improved products/services* critical to the attainment of economies of scale and profit maximisation.

Yet, when trying to align with the environmental changes induced by technological change and increasing competition tensions started to emanate from these firms' managers who wanted to see their companies to be more committed to innovation in the sense of *doing*

things differently, particularly in regard to the use of the new technology. Managers wanted to see adoption of technological innovation *to change their systems and processes* for product delivery differentiation and cost effectiveness; at the same time, some of them wanted to see *embracement of radical perspectives* that would have enabled their companies to enter new business areas and differentiate themselves from competitors.

INSERT-TABLES-6-7-HERE

We subsequently wanted to find out more on the antecedents of such OA by focussing a set of questions on drivers (of) and barriers to ambidexterity via the protocol interview (Table 3, questions e-o). Clearly, firms' characteristics such as strategic orientation, learning orientation, culture and organisational structures played a critical role in shaping different firms' ambidexterity approaches.

Strategic Orientation

The *niche players* pursued a *first-mover strategy*, which was focussed on the *external business environment, customers and competitors*. These firms constantly monitored the evolution of the external environment concerned with regulatory and technological changes, and trends in adjacent industries and/or different geographical markets. This strategic orientation, facilitated by the constant use of *partnerships* with consultants, academics and technological companies, fuelled divergent strategic thinking that enabled them to quickly spot market opportunities. It was permeated by a constant focus on customers' needs that firms responded to, through new products/services to the market. This strategy was also focussed on the *monitoring of competitors* in the pursuit of product differentiation and seeking strategic partnerships for quick entry into new market segments.

Large players pursued a *fast-follower strategy*, reacting to external environment's changes in the attempt to align themselves to market evolution driven by new technology,

regulation and increasing competition. *Constant monitoring of competitors* was essential to their product/service development with the aim of avoiding early movers' mistakes. Given their large scale, *mass customer distribution of products* was a key driver of their market-driven strategy rather than a constant focus on customers' needs. However, at the time of the field research, this customer focus started to be criticised as it was perceived inadequate to respond to rapid market changes.

INSERT TABLES 8-9 HERE

Learning Orientation

The broad market orientation of the *niche players* was also reflected into their *learning orientation* that addressed both aspects of *exploitation and exploration learning* (Levinthal and March, 1993). *Exploitation learning* – the ability to learn in an adaptive way, through the leverage of existing knowledge in key areas of the business (Levinthal and March, 1993, p. 95), mainly derived from their ability *to learn from past mistakes*. This, in most cases, appeared to be reinforced by a sense of *being in control of the past*, with low staff turnover, where everybody in the organisation had knowledge of the past events and how these had been shaped throughout the years.

These niche players were also engaged in *exploration learning*, the ability to learn proactively and build new knowledge (Levinthal and March, 1993, p.95). e-Bank, for example, had developed a technology competence in the arena of new and emerging technologies, i.e. Internet, WAP phone, etc. This technological knowledge was built on the basis of the company's early experimentation of Internet-based technologies. HP's managers emphasised their project management competence that had enabled them to go through substantial changes; MF had developed the X-based strategy enhanced by a sophisticated information management system platform which permitted to develop the best combinations

of products/services for targeted customers. Similarly, at BSB there was a customer-knowledge competence supported by an appropriate information technology platform that allowed fine-tuning of market and product segmentation.

The niche players also institutionalised the *practice of experimentation*. Unlike typical R&D activities, experimentation was based on small and cheap investments based on short-term investments. For example, e-Bank never invested in long-term projects when managers had to try untested technology and new delivery channels – i.e. WAP phone. Their approach towards experimentation was based on cheap and quick experiments, typical of a *probing and learning process* (Brown and Eisenhardt, 1997), each time taking a step closer to the right combination of product/customer. At MF this experimental approach looked like a two-stage process: whilst the first stage was about the testing of new combinations, the second stage was about questioning the learning from stage-one testing. Similarly, HB's managers were constantly engaged into a process of experimenting with new business practices and products on the basis of customer's feedback, whereas BSB's managers were always experimenting new combinations of products and market segmentation and adjustment of the supporting technology. Exploration learning was also reinforced by the *practice to continuously challenge established rules*. This was like a process of 'unlearning the past' or 'challenging existing knowledge', which involved a continuous evaluation and, if necessary, re-invention of existing products, services or business models.

Amongst the *large players*, learning was mostly *unsystematic* as it seemed only to occur in response to a specific stimulus, generally a *business need*, often triggered by external events, i.e. introduction of new technology and regulation that they had to respond to for alignment purposes. A few aspects of this orientation were mainly of the *adaptive/exploitative type* (Levinthal and March, 1993); for instance, they leveraged existing knowledge for purposes of *continuous improvement of products/services*. These players also

exhibited fewer examples of *exploration learning* than their niche counterparts; occasionally, managers referred to attempts of *developing knowledge through understanding of recent market changes/trends*. Exploration learning via experimentation and/or challenging established rules, which were noticeable amongst the niche players, was not a behavioural feature of the large players. Fear of failure linked to past experience, risk aversion and pursuit of profit maximisation emerged as the main inhibitors of radical approaches to innovation. However at the time of the field research, these managers showed frustration/tensions for the lack of frame-breaking learning as they were confronted with the challenges/opportunities induced from the new technology.

INSERT-TABLES-10-11-HERE

Social and Organisational Systems

The social and organisational systems of the *niche players* were a clear differentiator from their larger counterparts' systems. Managers explained that flat *organizational structures* supported a lot of horizontal work across different divisions and enacted firm's flexibility and responsiveness to changes and emerging opportunities in the external environment. Particularly, the existence of a short-chain of command and team autonomy enabled a quick decision-making process, which impacted positively on the ability of these firms to quickly move into new business areas. Also, a low level of formalities intrinsic in the *organic structures* not only enabled the quick adoption of decisions, but also facilitated an informal creative process – “very loose” - as one director at e-B described it. In this context, as employees were freed from any restriction, they could easily contribute their own ideas and take their own initiatives within the broad scope of their own job function. Whilst new ideas were encouraged and sought across the organisation at any level, *structured processes*, shared across the organisational boundaries, ensured the implementation and control of only

those ideas which were aligned with the organization's main goals. These structured processes were critical to fast implementation of change.

Furthermore, a *culture of change* permeated these niche players' social context. An open environment with no communications barriers, empowerment and risk-taking facilitated ideas generation and communication at any level. Somehow, these social context attributes, critical to firm differentiation and innovation enactment, were difficult to replicate in other companies.

In contrast, the *large players* mainly exhibited *hierarchical organizational structures*, although at the time of the interviews, these companies were starting to consider adopting flatter structures. Such a transition was essential to enacting a faster decision-making process: highly hierarchical structures with a lot of grades tended to further slowdown decision-making in a risk averse context. Therefore, *de-layering was a true organizational necessity* in response to the need of higher level of managerial flexibility and autonomy in the decision-making for faster adaptation to external changes. Furthermore, their current systems were inadequate to support a structured approach to innovation as the adoption of best practices was not always systematic across the organisation. Yet, structured processes were increasingly becoming a necessity in response to the specific need of facilitating fast implementation of business initiatives and reducing the number of ideas to those which were more realistic and aligned with the organisation's overall goals.

A *risk-averse culture* permeated the social context of the large players; in managers' words, this was "routed in the functioning of the financial services industry built on prudential management" and, historically, in a sector not perceived as a highly competitive, as a few managers put it: "...Maybe because banks are less innovative, entrepreneurial by nature. They have been brought into a risk-audit controlled, compliance environment..." Yet,

managers hinted to the lack of a supportive aligned social context as one of the major blockages to explorative innovation.

Discussion of the Findings and Conclusions

This study sought to explore firms' choices of OA and how exploration-exploitation efforts are triggered to account for organisational antecedents and environmental moderators of CD and BD of OA (Cao *et al.*, 2009) in the context of the dynamic UK retail financial services industry. We add to the scholarly debate of OA through a number of theoretical contributions, which are fourth-fold: (a) in dynamic and competitive environments, such as the financial services industry, forms of OA, CD and BD, are influenced by the firm's strategic choice to compete in specific competitive market segments; (b) exploitation and exploration efforts of desirable OA forms, i.e. BD/CD, are largely influenced by corporate social and organisational characteristics (i.e. organisational structures and culture) and learning approaches; (c) in contexts of resource munificence, resource flexibility plays a critical role in achieving a CD of ambidexterity; (d) managers' long tenure is a facilitating mechanism of ambidexterity. We now discuss each of these theoretical findings in more detail.

(a) This study shows that large retail financial services exhibit either a CD or BD of ambidexterity and the attainment of one or the other dimension is a firm's strategic choice (D'Souza *et al.* 2017) that depends on the dynamics of competition in specific market segments. Particularly, we propose that under environments characterised by resource munificence and competitiveness, firms pursuing a focus differentiation strategy achieve a CD of OA, whereas firms pursuing a cost leadership strategy achieve a BD of OA. Qualitative results suggest that financial services firms operating in narrow market segments (i.e. niche firms) tend to compete by bringing to the market new products and services for

new groups of customers (Zahra and Bogner, 1999) whilst at the same time they continue to improve existing products, services and systems, which are critical to retaining or improving customer loyalty (Jansen *et al.*, 2006). In doing so, such firms pursue a customer focussed differentiation strategy (Porter, 1985) and place great importance on both exploration and exploitation activities which complement each other, thus attaining a CD of ambidexterity. Financial services firms competing across a larger range of market segments mainly pursue a cost leadership strategy (Porter, 1985) that is less attentive to new product development, but more concerned with cost reduction, operational efficiencies and attainment of substantial economies of scale; hence, on the continuum balancing between exploitation and exploration, these companies place greater emphasis on exploitation activities rather than exploration activities.

Our study adds further qualitative insights and explanations to the results of previous quantitative studies of OA, which focused on the performance-OA relationship (Levinthal and March, 1993; Jansen *et al.*, 2006). It shows that, under environmental contexts of long-term competitiveness, companies pursuing focussed differentiation strategies engage in new radical product developments to avoid to be trapped in copycat strategies as a result of endless incremental improvements of existing products, services and processes (Levinthal and March, 1993) and decreasing margins (Jansen *et al.*, 2006). In the UK financial services such incremental improvements usually concretise in changes brought to some of the products/services' features, i.e. change of interest rates, with copycat strategies that are rapidly followed by the majority of competitors (Ashton, 2009). We suggest that a CD and BD of OA are plausible models of OA that reflect parent's chosen corporate strategy to compete in specific retail market segments of the financial services industry.

(b) Building on the findings at point (a), we respond to Jansen *et al.*'s (2006) call for qualitative case studies to understand how exploitation-exploration efforts are initiated.

Exploitation and exploration efforts related to OA are distinctive in that the former entails continuous improvement of existing products and processes, whereas the latter entail new product/service development with an ability to be first to the market. Such efforts require respectively efficiency and flexibility, which are necessary to enact complementarity between exploitation and exploration efforts. We now explain how specific organisational contingencies enact such efforts and allow for such complementarity. Particularly, we add nuances as to how formalisation does not simply produce inertial forces and an exclusive focus on exploitation (Jansen *et al.*'s 2006; Adler and Borys, 1996). Firms competing in narrow market segments and attaining a CD of OA exhibited flat/organic structures complemented by structured processes. On the one side, flat/organic structures characterised by fluid job descriptions, loose organization charts, high communication, and few rules (Brown and Eisenhardt, 1997) are conducive to exploration, i.e. new product development; on the other side, structured processes, i.e. project management process, characterised by clear formal rules and procedures enabled these firms to engage with exploitation activities to achieve efficiencies, i.e. through continuous improvement of existing products/services. Organic structures complemented by structured processes are a typical manifestation of semi-structures (Brown and Eisenhardt, 1997) that emphasise simultaneity of embracing both efficiency and flexibility (Brown and Eisenhardt, 1997; Eisenhardt *et al.*, 2010). In this respect, semi-structures enable complementarity between exploitation and exploration. Furthermore, a supporting free blaming culture of change and risk-taking, amongst the firms that attained a CD of OA, encourages openness through socialisation and sharing of ideas. The latter, through informal networks, supports knowledge integration that is critical to both exploitation, for the improvement of current products/services, and exploration, for new product development (Manso, 2017; Kyootai *et al.*, 2017). By contrast, firms competing across a large number of market segments and attaining a BD of ambidexterity exhibited

mechanistic structures and a corporate risk adverse culture. Mechanistic structures improve reliability of actions and overall efficiency whilst a risk-adverse culture, which is not tolerant of mistakes, can be detrimental to exploration. Yet, the findings hint to the fact that in the face of increasing competition, there is the need to “upset the structures” (Eisenhardt *et al.*, 2010) in order to increase requirements of flexibility for explorative innovation.

In sum, we propose that in competitive environments, a CD of OA amongst large firms is enabled by semi-structures and a risk-taking culture of change. By contrast, a BD (that emphasises exploitation) of OA amongst large firms is determined by mechanistic structures and a risk adverse culture.

(c) This study shows that in contexts that are not resource-constrained, achieving a desirable level of CD of ambidexterity is moderated by the degree of resource flexibility. Cao *et al.*'s (2009) study of CD/BD of OA, applied to a sample of high-tech SMEs in a transition economy, suggests that smaller firms should opt for a BD of OA, whereas larger firms in presence of resource munificence should opt for a CD of OA. We extend these results by responding to Cao *et al.*'s (2009) call for further studies to examine these dimensions of OA among larger firms in a different industry and in the context of a developed economy. Our study focussed on larger firms in the UK retail financial services suggests that, in contexts of resource munificence, achieving ideals levels of CD of OA is impacted by levels of resource flexibility rather than just levels of resource availability. Firms that attain a BD of OA which is heavily focused on a cost-leadership strategy tend to drift towards more structures and efficiency (Eisenhardt *et al.*, 2010; Siggelkow, 2001). Drawing on Eisenhardt *et al.* (2010) we argue that increasing structures might be beneficial to reducing mistakes and inefficiencies, thus ultimately impacting on firms' margins and overall performance (Gavetti, 2005; Nelson and Winter, 1982). However, under competitive environments, firms need to unbalance this drift towards more structures and efficiencies by favouring flexibility that enables increasing

levels of exploration (Eisenhardt *et al.*, 2010). Furthermore, this concept of flexibility provides nuances to Cao *et al.*'s (2009) notion of complementarity between exploitation and exploration amongst large firms. Through the repeated use of existing knowledge, the niche players develop a set of flexible knowledge (Eisenhardt and Martin, 2000) or so-called capabilities (Gibson and Birkinshaw, 2004) consisting of new product development, quick decision-making, continuous improvement of existing products, all supported by structured processes. This set of knowledge and processes, which is path dependent (Helfat, 1994), permits “meta-capabilities of alignment and adaptability to simultaneously flourish” (Gibson and Birkinshaw, 2004, 210) within an ambidextrous social and organisational context (Gibson and Birkinshaw, 2004; Jansen *et al.*, 2008) characterised by semi-structures and a risk-taking culture. As a result, rather than competing for the same resources, exploitation and exploration capabilities complement each other and a CD of ambidexterity (Gupta *et al.*, 2006) can be achieved.

(d) The study also seems to suggest that managers' long tenure within organisations facilitates dimensions of ambidexterity, thus providing one of the plausible answers to Raisch's *et al.* (2009) question as to why some managers are able to manage contradictory tasks. Outside managers, who draw on a diversified set of skills, knowledge and experience are understood to be facilitators of contradictory knowledge and innovation processes (Hamel, 2000). Against this theoretical expectation, managers of these UK financial services had been permanent core members of the organisations in key functional roles for long time, thus developing and sharing a common pool of in-depth knowledge and skills in their “domain of interest” (Meyer and Gavin, 2005, 874). Particularly, during their long tenure, managers of niche players harnessed *exploitative/explorative change capabilities*, which are unique to each firm, and difficult for others to replicate (Teece *et al.*, 1997). Under dynamic environments (Wischnevsky *et al.*, 2011), such established change capabilities enabled niche

firms to engage regularly with exploration, i.e. initiating new products and being first movers to compete in narrow market segments (Jurksiene and Pundziene, 2016). Through repeated use and improvement of existing knowledge, managers became more aware of the type of existing knowledge available (Cao *et al.*, 2009) that they could use to experiment with new products/services, i.e. for instance project management capability was one type of them. Having navigated through the career path development and stayed for a long time within their companies, these managers had also been exposed to top-down/bottom-up flows of knowledge which facilitated ambidexterity enactment (Mom *et al.*, 2009). In this way, they made firms more capable of initiating various reconfigurations of resources and knowledge in the pursuits of new products/services. Their *explorative capabilities* supporting new product/service development such as *customer orientation* capability (Ngo and O' Cass, 2012), combined with *external relational capabilities*, i.e. partnerships with consultants (Rusanen *et al.*, 2014; Lucena and Roper, 2016) provided additional knowledge support and resources for exploration. Such exploration efforts can enhance the effects of exploitative capabilities, i.e. cost efficiencies, because, through internalization of external knowledge, exploitative capabilities in terms of efficient routines and processes can be applied on a greater scale of acquired competences (Cao *et al.*, 2006).

Limitations and Future Research Directions

From a methodological point of view, to the best of our knowledge, this is the first qualitative study that takes a corporate level of analysis to understand OA in a dynamic industry. The comparative case study method approach has provided novel insights into how exploitation/explorations efforts are triggered to account for firms' organisational antecedents and environmental contingencies that impact on the choice of ideal forms of OA. In this regard, our qualitative methodological approach complements and enriches quantitative investigations of the performance-OA relationship. One of the limitations is represented by

an old data set which might have implications for the generalisation of the findings. Having followed Gibbert and Ruigrok's (2010) recommendation, this study privileged internal validity over external validity. However, there's to note that findings converse (with) and compliment the findings from Jansen *et al.*'s study (2006) that current studies of OA constantly refer to. In this way, we think that our complimentary findings, as a result of an innovative approach (i.e. corporate level analysis), connect with recent theoretical discourse (D'Souza *et al.*, 2017) and contribute additional insights for future theorising. It should be acknowledged that this study has focused on large companies in an industry, such as financial services, where the costs of innovation, particularly in terms of new product development, are low. Hence, the findings can be generalised to other sectors characterised by low product development costs, such as the consumer goods sector which, similarly to the financial services sector, is largely commoditised. Since financial services are a global industry, corporate level strategies and inherent dimensions of OA pursued by non-UK large financial services firms are likely to be similar, whereby we expect that these findings are generalised to other geographical contexts in industries that are characterised by similar competitive dynamics.

Future cross-comparative case studies might be helpful to account for institutional influences across different national contexts and assess how institutional differences might impact on the ideal dimensions of OA. Furthermore, to the best of our knowledge, this is the first qualitative study that responds to calls of considering firm's ambidexterity as a strategic choice that must be contextualised in the competitive dynamics of the firm's referent group (D'Souza *et al.*, 2017). Future studies could develop a measurement of the 'relative ambidexterity' indicator for such industry and other similar global industries.

At a first glance, our findings are less generalised to industries characterised by higher costs for new product development due to the high intensity of know-how investments and

longer developmental times, such as the pharmaceutical industry, high-tech manufacturing, and car manufacturing. However, in these industries too, the rules of product development are rapidly changing as a result of firms adopting an ultra-low-cost product development (ULCPD) strategy (based on novel customer research techniques, i.e. anthropological discovering, Web 2.0 techniques like crowdsourcing and open innovation) that enables them to rapidly compete in high-growth market segments, both in developed and developing economies, with reduced time and costs for product development. Future research could consider whether the results of this study are generalised to sectors that are traditionally characterised by higher production costs, but moving towards the adoption of ULCPD strategies that are more cost effective. This generalisation would enable to account for firms' heterogeneity, particularly with regard to firms' product strategies that are differentiated by market segments to reflect different intensity of competition, i.e. high-growth market segments that might be targeted via ULCPD. Our study is cross-sectional and did not consider a temporal dimension, whereby future empirical investigations could consider a longitudinal research design offering a more dynamic perspective of OA (Raisch, 2008; Raisch *et al.*, 2009; Papachroni *et al.*, 2015). Such design would provide better insights into the dynamics of CD and BD of OA over time to account for the moderation effects of environmental dynamism and industry competitiveness (Dess and Beard, 1984). A longitudinal case study design would enable to fully explore the impact of the concept of sequential or temporal ambidexterity used in previous studies (Simsek, 2009), particularly with regard to large organisations which attain a BD of OA in the pursuit of a cost leadership strategy. It is likely that for these firms, competitiveness might be achieved by alternating long periods of exploitation with brief periods of exploration to radically develop new products for new emerging markets or customers (Jansen *et al.*, 2006). A longitudinal research design would enable to capture how organisational antecedents will affect the

exploitation and exploration efforts over time to temporally account for variations of environmental dynamism and competitiveness as well as outcomes of OA, i.e. new products developed for existing markets versus extension of existing products to enter new emerging markets. The latter, although linked to a cost reduction strategy to achieve economies of scale, would involve increasing customisation for local adaptation, which requires an increasing emphasis on exploration efforts. Thus, longitudinal cases that explore these strategic tactics will offer a more dynamic perspective of OA, which is more suitable to deal with a range of boundary conditions that an organisation faces over time (Raisch, 2008; Raisch *et al.*, 2009; Papachroni *et al.*, 2015). Such temporal lens would also provide better insights into the dynamics of CD and BD of ambidexterity over time.

This study did not consider the performance-OA relationship. Future quantitative studies can consider quantitative explorations of the performance-OA of BD/CD models in specific market segments of a given industry. From this study, a risk propensity behaviour emerged as an antecedent of a CD of OA. Future research could specifically model such a variable in the performance-OA relationship to assess its effects on performance in regard to the pursuit of ideal levels of CD and BD of OA. Additional firm's variables related to learning orientation, organic/mechanistic structures, structured processes should also be included.

This study also pointed to managers' tenure as a facilitator factor of ambidexterity. However, it should be acknowledged that, given the interviewees' selection criteria and the specific objective of the study, managers with long-tenure were not compared with managers with short-tenure. This is clearly a limitation. Also, we did not examine additional factors such as the impact of specific managerial traits on firms' ambidexterity, which might be considered in future upper-echelon empirical investigations that could model managers' attributes and longevity in regard to the CD/BD-performance relationship. Ultimately this

study took a senior-management view and might not have captured tensions emanating from lower management levels that might have spawned throughout the organisation (Smith and Tushman, 2005). Future multi-level longitudinal explorations (Andriopoulos and Lewis, 2009) could consider to investigate these potential tensions, for example, between lower, middle and higher levels of management and how these tensions might impact on the cumulative achievement of a CD or BD of ambidexterity. Finally, but not least, this research took a corporate approach and not a business-unit level of analysis, i.e. branches, whereby future studies could extend these findings alongside those of Jansen *et al.*'s (2006) study to examine combinations of CD and BD at the business-unit level, so that it is possible to account for both qualitative and quantitative explorations of the determinants of such dimensions of ambidexterity and inherent performance relationships.

Finally, our study provides practical recommendations. First, both corporate strategists and managers should improve their management knowledge with regard to desirable forms of OA available, how to achieve them, their advantages and disadvantages under specific environmental conditions. This knowledge is important in order to enable practitioners to put in place adequate organisational contingencies to shift organisational focus from one dimension of OA to another depending on changing environmental conditions. Second, corporate strategists and business-unit level managers should not only make decisions on appropriate organisational contingencies, to support specific forms of OA, but also need to link choices of OA dimensions to the broader firm's strategic market positioning. The latter is necessary in order to more closely connect internal contingencies to industry's dynamism and competitiveness, to account for firms' strategic priorities. Third, given that strategic priorities can temporally and spatially change, mechanisms for structure reduction should be in place to adjust organisational configurations to changing requirements of flexibility (for exploration) and efficiency (for exploitation). Structured processes should

be privileged since they are able to support both exploitation and exploration. Fourth, since exploitation and exploration capabilities are developed over time, corporate and sub-unit managers should implement human resource practices and information management systems respectively for staff retention and knowledge-sharing; the latter are critically important to sustaining both exploitation and exploration over time. Therefore, managers should be attentive to the issue of trust in the workplace by supporting the development of a free-blaming culture of change and risk-taking that supports knowledge sharing and integration. Such culture better supports temporal shifts from exploitation to exploration and vice-versa. Finally, strategy and management educators should enrich courses' curriculum with theoretical perspectives of OA to compliment main stream theory of strategic management with relevant theoretical models and practice that ultimately contribute to getting future strategists and managers better prepared to deal with the challenges and opportunities posed by dynamic environments.

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Table 1 – Companies' characteristics

Financial Services Companies	Sub-sector	No of Employees	Total Assets (UK £)	New Entrants	Market Scope	Founding Year
The Helping Bank (HB)	Retail Banking	4,010	6,233,800,000		Niche player	1872
e-Bank (e-B)	Internet Bank – retail banking	1,876	7,933,700	☑	Niche player	1996
Money First (MF)	Credit Card	16,000	12,592,588,000	☑	Niche player	1993
Building Society B (BSB)	Lending and Savings	3,045	5,865,925,000		Niche player	1853
Building Society A (BSA)	Lending and Savings	8,924	24,666,400,000		Large player	1964
Building Society C (BSC)	Lending and Savings	2,717	13,362,300,000		Large player	1850
Global Insurance (GI)	Insurance	3,511	23,589,500,000		Large player	1738
Sassoon Bank (SSB)	Retail Banking	85,847	217,982,000,000		Large player	1765

Table 2 – Interviewees

Financial Services Company	Sub-Sector	Interviewees	Time within the company	Gender
Money First (MF)	Credit Card	Head of HR Recruitment	10 years	M
		Head of Market Analysis	9 years	M
		Head of Information Systems	10 years	M
		Head of E-commerce	5 years	M
		Director of Communication	8 years	M
The Helping Bank (HB)	Retail Banking	Head of HR	21 years	F
		Head of Marketing	15 years	M
		Director of IT	23 years	M
		Senior Manager of Information Systems	18 years	M
		Director of Communication	20 years	M
Building Society B (BSB)	Lending and Savings	Head of HR	21 years	F
		Head of Marketing and Product-Development	18 years	M
		Director of Customer Service	6 years	M
		Senior Manager of E-commerce	5 years	M
		Senior Manager of Business		

		Strategy-Development	16 years	M
e-Bank (e-B)	Internet Bank – retail banking	Head of HR Director of IT Director of Customer Experience Director of Marketing Director of Multi-Delivery Channels	7 years 7 years 7 years 7 years 7 years	F M F F M
Sassoon Bank (SSB)	Retail Banking	Head of HR Development Director of IT Director of Customer Service Head of Business Strategy Senior Manager of E-commerce	26 years 19 years 7 years 28 years 5 years	M M M M F
Building Society A (BSA)	Lending and savings	Head of HR Development Senior Manager of HR Recruitment Senior Manager of IT Head of Business Strategy Senior Manager of Marketing	24 years 15 years 13 years 18 years 17 years	M M M M M
Building Society C (BSC)	Lending and savings	Head of HR Development Director of IT Head of Mortgage Business Head of Savings and Investment Director of E-commerce Head of Marketing	18 years 15 years 21 years 19 years 7 years 20 years	M M M M M M
Global Insurance (GI)	Insurance	Director of HR Senior Manager of IT Head of Sales Head of Product Development Head of Marketing	17 years 9 years 12 years 14 years 16 years	F M M M M

Table 3. Interview protocol and guide

<p>a) Tell me about yourself, your background, how long you have been within the company and your role within the company.</p> <p>b) Can you explain in which way your company is innovative?</p> <p>c) Is your company more an innovator in products/services or in processes? Have these substantially changed in the past years? Please explain.</p> <p>d) In which way do you think innovation is important to your company?</p> <p>e) What are the major aspects of your company's strategy? Has this strategy substantially changed</p>

throughout the past 10 years? Please explain.

- f) Which factors do you consider in setting your company's strategic direction? Please explain.
- g) How do you see your customers in regard to your innovation agenda?
- h) How do you see your competitors in regard to your innovation agenda?
- i) What are other factors that can affect your innovation agenda?
- j) What are the major external challenges/opportunities that your company is facing at the moment? How are you reacting to those?
- k) What are your views about the latest internet technologies? Do you see them as an opportunity or threat? Please explain. In which way do you think they are relevant for innovation?
- l) Which internet technologies have you been adopting so far and why?
- m) What's your strategic orientation in regard to new technologies' adoption? Please explain.
- n) Can you please briefly outline how the internal firm context supports or inhibits innovation?
- o) What are the organisational structures and culture of your company? How do you see these in relation to innovation?

Table 4 – Archival material

Financial Services Company	Year of Publication	Archival material type	Origin of archival material
Money First (MF)	2005-2007	Company annual report	MF
	2005-2007	Product brochures	MF
	2006-2007	Website information	MF
	2006	Corporate presentations' files	MF
	2006	Human resource policy documents (staff appraisal & development brochures)	MF
	2006-2007	Press articles	Financial Times, MoneyFacts
The Helping Bank (HB)	2005-2007	Company annual report	HB
	2005-2007	Product brochures	HB
	2006-2007	Website information	HB
	2007	Human resource policy documents (staff appraisal & development brochures)	HB
	2007	Company's corporate value and assessment	HB
	2006-2007	Press articles	Financial Times, MoneyFacts
Building Society B (BSB)	2005-2007	Company annual report	BSB
	2005-2007	Product brochures	BSB
	2007	Website information	BSB
	2007	Human resource policy documents (staff appraisal & development brochures)	BSB

	2006-2007	Press articles	Financial Times, MoneyFacts
e-Bank (e-B)	2005-2007	Company annual report	e-B
	2006	Human resource policy documents (staff appraisal & development brochures)	e-B
	2006-2007	Website information	e-B
	2006-2007	Press articles	Financial Times, MoneyFacts
Sassoon Bank (SSB)	2005-2007	Company annual report	SSB
	2006-2007	Product brochures	SSB
	2007	Website information	SSB
	2007	Human resource policy documents (staff appraisal & development brochures)	SSB
	2006-2007	Press articles	Financial Times, MoneyFacts
Building Society A (BSA)	2005-2007	Company annual report	BSA
	2006	Product brochures	BSA
	2006-2007	Website information	BSA
	2006	Human resource policy documents (staff appraisal & development brochures)	BSA
	2006-2007	Press articles	Financial Times, MoneyFacts
Building Society C (BSC)	2005-2007	Company annual report	BSC
	2007	Product brochures	BSC
	2007	Website information	BSC
	2007	Human resource policy documents (staff appraisal & development brochures)	BSC
	2006-2007	Press articles	Financial Times, MoneyFacts
Global Insurance (GI)	2005-2007	Company annual report	GI
	2007	Product brochures	GI
	2007	Website information	GI
	2007	Human resource policy documents (staff appraisal & development brochures)	GI
	2006-2007	Press articles	Financial Times, MoneyFacts

Table 5a – Niche players. Data structure (coding categories)

First order codes	Second order codes	Third order codes
Capability to be first to market in introducing new products and services	How things are done	Innovative behaviour
Capability to quickly change management systems on a regular basis		
Focus on the business environment (<i>to respond to, and anticipate changes</i>)	First-mover strategy	Strategic orientation
Focus on competitors (<i>to be different, to seek partners</i>)		
Focus on customers (<i>to satisfy current needs and provide value</i>)		
Learning from past mistakes	Exploitation/adaptive learning	Learning orientation
Developing new knowledge	Systematic exploration learning	
The practice of experimentation		
The practice of challenging existing rules		
Organic structures	Semi-structures	Social and Organisational Systems
Structured processes		
Culture of change	Culture	
Risk-taking culture		

Table 5b – Large players. Data structure (coding categories)

First order codes	Second order codes	Third order codes
Incremental improvement of existing products/services	New product/service development	
Changing systems and processes via new technology		Innovative behaviour
Need of embracing radical change	How things should be done	
Focus on the business environment (<i>to align to major external shifts</i>)		
Focus on competitors (<i>to be a fast follower/copy competitors' moves</i>)	Fast-follower strategy	Strategic orientation
Focus on customers (<i>for mass product distribution, economies of scale, profits</i>)		
Adaptive learning (<i>to continue to improve existing products/services</i>)	Exploitation learning	
Developing new knowledge (<i>from recent market trends</i>)		Learning orientation
Avoiding experimentation (<i>to minimise failure risks and reduce costs</i>)	Sporadic exploration learning	
Not challenging established rules/keeping the status quo		
Hierarchical structures, moving towards flatter structures		
Need of structured processes	Bureaucratic structures	Social and organisational systems
Risk-averse culture	Culture	

TABLE 6 NICHE PLAYERS			
MANIFESTATION OF AMBIDEXTERITY			
How things are done			
<i>Capability to be first to market in introducing new products and services</i>			
<p>“... We were the first to introduce totally new products...for instance the ‘P’ mortgage type, or the ‘Q’ savings account...that were then imitated from many of our competitors” (Senior Manager of Business Strategy-Development, BSB).</p>	<p>“We were the first, and still we are, in using a sophisticated management information system platform that has enabled us to come to the market ... with new things that nobody has done before, things like the balance transfer, also affinity deals rates...” (Head of HR Recruitment, MF).</p>	<p>“We seem to have a lot of first in the market place. For example, we were the first to offer free banking. We were the first to offer a gold card with no annual fees...” (Head of HR, HB).</p>	<p>“First to the market for a number of different things...We were the first financial services company across many...to challenge the norms in terms of interest rates and margins that were acceptable...” (Director of Customer Experience, e-B).</p>
How things are done			
<i>Capability to quickly change management systems on a regular basis</i>			
<p>“It is not useful to have innovation in this market place, because it is so commoditised. You’ve got to be able to act upon your decisions quickly and change all the time... I think personally that is quite often the difference between us and other organisations...” (Head of Marketing and Product Development, BSB).</p>	<p>“We have a strategy, which is the [X-based strategy], where, coming from the top, Mr [X] – [he means the CEO] - will tell you that every product that we have had at the moment will be redundant next year. Every year, we have to reinvent all our products. So, it is very dynamic...changing all the time.... constantly trying new combinations, new ideas” (Head of IS, MF).</p>	<p>“We are innovators in the way we change our structures and the way we deal with our customers...So, I think one of our abilities is to make sure that we are innovative. We can change very quickly” (Director of IT, HB).</p>	<p>“I think [we are innovative] because of our speed to market, focus of the company...being fast in breaking some of the existing dynamics in the market” (Director of Marketing, e-B).</p>

TABLE 7 – LARGE PLAYERS			
MANIFESTATIONS OF AMBIDEXTERITY			
New product/service development			
<i>Incremental improvement of existing products/services</i>			
<p>“...We have been developing far too many product variations, we did too</p>	<p>“We would like to think that we are innovative, but we are as anybody else</p>	<p>“...Until now innovation has been about distributing products to as many people as</p>	<p>“...Our products are fairly basic, not too complex...stable for quite</p>

much on the product side...too much product proliferation... (Head of Marketing, BSC).	really... We have some good products that our customers like... So we keep improving them” (Senior Manager of Marketing, BSA).	possible...not really an area of great focus” (Head of Business Strategy, SSB).	long time...in the sense they have not substantially changed... We have only been changing prices/premium conditions slightly.” (Head of Sales, GI).
<p>How things should be done</p> <p><i>Changing systems and processes via new technology</i></p>			
“I would like to see innovation taken far more rooted in the way we tackle processes and applications... for substantial reduction of our costs...” (Head of Marketing, BSC).	“Our systems will have to change...we have to...in order to embrace new technology that will enable us to do things differently, improve our efficiencies levels...” (Head of Business Strategy, BSA).	“The technology is there...OK, but innovation for innovation sake is not relevant to us... What matters to us is shareholder value; then we are committed to changing our systems, making them different, smarter and the technology can help us in this...but always keeping in mind our cost/income ratio” (Director of IT, SSB).	“... I think the way the market is just now, we need as an organisation to become more innovative, to find new ways of delivering our product and our service to our customers. I don’t think that has been the case in the past....” (Senior Manager of IT, GI).
<p>How things should be done</p> <p><i>Need of embracing radical change</i></p>			
“I would view Virgin as an innovative company to get into new areas that they understand and try to innovate in. I have never seen BSC to get into an area, which is unsure of and try to reinvent the way that people think about that business to make that innovation...” (Director of E-commerce, BSC).	“We have never been thus far at the leading edge of high technology or a particular product. We have tended to be a...follower rather than being an innovator” (Head of Business Strategy, BSA).	“... [Innovation] is whether we step outside of our box and look at things in a completely different way. We are a very old organisation, and we have a lot of people who have been within the organisation for long time.” (Senior Manager of E-Commerce, SSB).	“It [innovation] has been very much governed by being successfully on prices... We’ve now recognised that’s a model that we cannot continue into the future...” (Head of Sales, GI).

TABLE 8 - NICHE PLAYERS**STRATEGIC ORIENTATION**

First-mover strategy

Focus on the business environment (to respond to, and anticipate changes)

<p>“...The strategy is reactive to the conditions which are out there, the conditions of competitiveness. So, we would like to think that we are doing positive and innovative things, but they are in response to business needs” (Head of HR, BSB).</p>	<p>“We have a telecommunication business...we have a car loan business...so, we stretched the basic strategy after credit card into those areas as well...focussing on what was happening in the market” (Director of Communication, MF).</p>	<p>“... We do have people within the business such as marketing, key technology strategy departments that are constantly looking outside, looking at what is happening around the market place. We employ external consultants to do that...” (Head of Marketing, HB).</p>	<p>“We are always watching what is going on in the big wide world ... We watch particularly carefully what happens in the States...because...it is only matter of time before it gets embraced over here” (Director of Customer Experience, e-B).</p>
<p>First-mover strategy <i>Focus on competitors (to be different, to seek partners)</i></p>			
<p>“...Although we looked at what the market was doing, we did not necessarily follow the market... If we had followed the market, we would have never introduced [...] unemployment insurance, we would have never introduced [our...] mortgage...if you do not find and fill gaps, then you are just fighting on prices all the time...” (Head of Marketing and Product Development, BSB).</p>	<p>“I personally see the economy moving more and more towards a partnership model, because it is no longer acceptable to be everything for everyone... You need to be superb in what you do, and where you are not a market leader in what you do, you need to partner with other people...even with your competitors...we do not regard these as our enemies” (Head of E-commerce, MF).</p>	<p>“We have a partnership approach. We do believe we are doing business as a company, not just for ourselves, but also in conjunction with a number of partners ... we have separated 9 different groups of partners...” (Head of Marketing, HB).</p>	<p>“... If we know that a competitor is going to move before us on a particular product...to be honest there is no point for us developing a product and a service.” (Director of IT, e-B).</p> <p>“... Those opportunities do not exist anymore and if you do not form alliances and partnerships, you know...” (Director of Marketing, e-B).</p>
<p>First-mover strategy <i>Focus on customers (to satisfy current needs and provide value)</i></p>			
<p>“Very much focused on the market place, doing a lot of more work with our customers, focused groups, finding out our customers’ views of our service, our products, how we can improve” (Head of HR, BSB).</p>	<p>“I would not say that we are excessively focused on the external market. I would say that we are very focused on customers and what our customers want and what our future customers would want ...” (Head of IS, MF).</p>	<p>“We are finding that people real values are around what they stand for in society... These are people that will buy probably different format of mortgage sometimes. These people are prepared to make a statement, give money to a specific charity. So, the all value-system calls for a bank that can provide them that. I know that it’s only a niche, but it is a big enough niche to make a business” (Director of Communication, HB).</p>	<p>“Ultimately, you must be delivering a product that the customer wants to buy at the end of the day, otherwise you would not exist” (Director of Multi-Delivery Channel, SS).</p>

TABLE 9 - LARGE PLAYERS			
STRATEGIC ORIENTATION			
Fast-follower strategy <i>Focus on the business environment (to align to major external shifts)</i>			
“... Right now the world has changed. Now, as a company we are struggling to come to terms with the new environment and how we will respond...” (Head of Savings and Investments, BSC).	“...At the beginning of the decade, it was more we do this and let’s carrying on doing this... It was the realisation that the external world was changing so radically that actually led us to respond to those changes...” (Head of Business Strategy, BSA).	“It is about consolidation in the industry. But, it is also about a more competitive market place, and it is also about exponential change in technology... You have to react to it, you have to be much more innovative, because if you rely on the old models, you will be left behind, and you will have a business that is dying on the feet...” (IT Director, SSB).	“... I think we need as an organisation to become more innovative, to find new ways of delivering our products... because of increasing competition...e-world...” (Senior Manager of IT, GI).
Fast-follower strategy <i>Focus on competitors (to be a fast follower/copy competitors’ moves)</i>			
“... We have a division whose role is to look at what is happening with our competitors within the market and understand exactly what they are doing, so that we can be aware of it and ready to react if we need to...” (Head of Marketing, BSC).	“I think we are still at the stage of being a fast follower. I think I would characterise the organisation as a whole as a fast follower. But, I have a feeling that it is changing... We have realised the need of that” (Head of HR Development, BSA).	“Doing the wrong things before somebody else does the wrong things is not helpful. What matters is that you do the right thing rather than the wrong thing, even if it means that it takes a few years longer to work out what the right thing is. The value that you destroy by doing the wrong things is tremendous. So, we would prefer to avoid our competitors’ mistakes and be a follower in the market...” (Head of Business Strategy, SSB).	“... I would say if you took the company as a whole we are a fast follower... Companies in the insurance industry are very good at following what other people are doing, it needs somebody to take the lead and then others will follow...” (Head of Product Development, GI).
Fast-follower strategy <i>Focus on customers (for mass product distribution, economies of scale, profits)</i>			
“Our strategy has been based on mass distribution of products to a high volume of customers... That strategy is starting to change, to see what type of products our customers would prefer ...” (Head of Savings and Investments, BSC).	“...Fighting your customers and relying on their inertia to please shareholders, I think maybe that strategy is having its days because of the increasing competition, increasing customer sophistication... opportunities for information explosion through the Internet and so on...” (Head of Business Strategy, BSA).	“I think until recently a lot of our profits, a lot of our growth has come through customer inertia, through acquisitions, through cost cutting...and not through customer focus. Those have been the main ways of making profits if you like” (Head of HR Development, SSB).	“What we have to do a lot more now is to look out and say, “What is it our customers actually need?” ... That has brought a big change..., moving away from the very internally focused approach...” (Senior Manager of IT, GI).

Investments, BSC).	(Head of Business Strategy, BSA).		
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<p align="center">TABLE 10 - NICHE PLAYERS</p> <p align="center">LEARNING ORIENTATION</p>			
<p align="center">Exploitation/adaptive learning</p> <p align="center"><i>Learning from past mistakes</i></p>			
<p>“... Everybody works together and tries to learn from mistakes and from experiences and, because we have good stability in our senior people, there is this feeling of being in control. People understand the things happened, when they happened, how they happened” (Head of HR Development, BSB Manager).</p>	<p>“...Despite past problems in a few markets, we have managed to keep a lot of people, even in the call centres. So, we have learned quite a lot of valuable lessons as a company. As a company, we understand how we went and are going through those changes” (Head of HR Recruitment, MF).</p>	<p>“...In the early 1990s, we were on the edge of collapsing... We managed to rescue our bank...and we learned from it...Everybody knows what happened and now we make sure that we do not repeat those mistakes again” (Head of Marketing, HB).</p>	<p>“... We were the first to introduce an online savings account paying a rate of interest of nearly 8%... Our systems could not handle the number of applications... We had our systems crashing all the time...It was a learning process for us and we learned from those mistakes” (Director of IT, e-Bank).</p>
<p align="center">Systematic exploration learning</p> <p align="center"><i>Developing new knowledge</i></p>			
<p>“We developed our core competencies’ framework in 1993 with a company... which is a sort of psychologist... and those competencies are staying with us to guide our business development in new areas” (Head of HR development, BSB).</p>	<p>“The company will continue to attempt to maintain that leading edge test-only-test knowledge. In some ways, we look at the testing approach to show that is the way forward... So, by definition the results of that scientific testing will take us forward [in new business areas]” (Head of E-commerce, MF).</p>	<p>“One of the things that we have been proactive...is...our project methodology... We are back in 1990. Prior to that, we did not really have a structured way of dealing with change and I think that one of the successes of the 1990s has been our ability to harness that methodology as a way of introducing a structured approach to change” (Senior Manager of Information Systems, HB).</p>	<p>“...There is definitely a technology competency. So, we spent the last two years with systems falling over and doing stuff with systems that have never been asked to do that sort of things before, building platforms... So, now we have technical competence that is hard to match...Internet knowledge you can find here” (Director of Multi-Delivery Channels, e-Bank).</p>
<p align="center">Systematic exploration learning</p> <p align="center"><i>The practice of experimentation</i></p>			
<p>“We are working more with</p>	<p>“We have an X-based strategy</p>	<p>“... We do take feedback from customers</p>	<p>“I would say innovation for innovation</p>

<p>focused groups, where meetings with customers mean much more, where we have a feeding of information into the company to learn more about, to be able to segment more, to be able to sell those people something different... And we have just really started now to go into that route now with some new IT supporting platforms..." (Director of Customer Service, BSB).</p>	<p>which is very much focused on coming up with new products and new marketing alternatives. That X-based strategy is all based on the fact that we have the ability to test types of different products matched against different customer segments and measure the results of those tests. So, it is multiple trial strategy. The all process is really innovation process..." (Head of Market Analysis, MF).</p>	<p>seriously, what they want and how we can provide that for them... We constantly use focussed groups that help us to develop that understanding and try new products and services with them" (Head of Marketing, HB).</p>	<p>sake is not of any use. I think what is important for us is our ability to try new products and services and add all new channels to the market very quickly, very cheaply and very effectively... if that combination of channel and product comes fantastically. If it does not, I have not spent too much money and invested in a channel, which dies... because in all the e-world, nobody knows which e-models work and which ones do not. So we can only try our combinations, but in a very economical way" (Director of IT, e-B).</p>
<p>Systematic exploration learning <i>The practice of challenging established rules</i></p>			
<p>"We always consider and question the validity of our competency framework and change it to a more dynamic framework..." (Head of HR Development, BSB).</p>	<p>"We need to consistently re-invent our products and processes and check what is appropriate for the business on a regular basis..." (Director of Communication, MF).</p>	<p>"We have an ability to think out of the 'normal box, to step away from ... things that are sacrosanct, the status quo..." (Director of IT, HB)</p>	<p>"We have to re-invent our business model on a regular basis... As we have grown and developed to become more profitable... we constantly review things along the way and say: "Do you want to keep the way we are?" (Director of Customer Experience, e-B).</p>

**TABLE 11 – LARGE PLAYERS
LEARNING ORIENTATION**

<p>Exploitation learning <i>Adaptive learning (to continue to improve existing products/services)</i></p>			
<p>"... We have to keep leveraging the product base and continue to improve our products to make them better because that's what we have always been good at, but actually the contribution to</p>	<p>"I think people can improve the business... But, I do actually think one of our weaknesses of our organisation is we do not harness and re-utilise those</p>	<p>"We do not have a systematic innovation process... I could not say you that we have a six-step process or a thing like that. We will need to formalise it, to look at how we innovated in the past, how we have created innovation in the past and draw some kinds</p>	<p>"... We try our best to find ways of involving staff in ways, which can produce innovation through things like continuous improvement programs for example" (Director of HR, G1).</p>

competitive advantage is becoming less and less” (Head of Mortgage Business, BSC).	ideas across the organisation in a systematic way” (Senior Manager of IT, BSA).	of principles out of that in terms of internal processes. I would not say that we are formalised at the moment” (Head of HR Development, SSB).	
Sporadic exploration learning <i>Developing new knowledge (from recent market trends)</i>			
“We try to watch the market, competitors and understand what is happening there...develop new ideas, new knowledge, see what that means for us, for our business” (Head of Marketing, BSC).	“Our product portfolio is quite stable, we review our products on the basis of what is happening in the market...and see what we need to know or understand better for our product portfolio...” (Senior Manager of Marketing, BSA).	“We can learn from our competitors easily and adjust our products and services accordingly...By doing so, we know that we would not be the first to the market, but mistakes’ avoidance and minimisation of costs are crucial to us” (Head of Business Strategy, SSB).	“We try to monitor closely our competitors and learn from them so that our product portfolio matches theirs or is even better” (Head of Product Development, GI).
Sporadic exploration learning <i>Avoiding experimentation (to minimise failure risks and reduce costs)</i>			
“Whilst we monitor the market, we do not have the capability of deep market analysis and experimenting with new products; we refrain ourselves from that type of approach...” (Head of Mortgage Business, BSC)	“We cannot afford to engage ourselves in R&D... We do not have the time and we cannot afford to take risks... We are simply committed to improving our product base” (Head of Business Strategy, BSA).	“If we want to be innovative and come first with something, we have to spend a lot of money on it, and a lot of research, and a lot of testing in it, before going out to the market. Very much we avoided that, because if somebody else comes up with the product first, we can learn from them and it would be much cheaper for us to come with it, very closely behind” (Senior Manager of E-commerce, SSB).	“We try to experiment with new IT/IS platforms to support our products, but pretty much we try to avoid building too much complexity as that would be too risky for us for an organisation of our size... The same is said for the products” (Senior Manager of IT, GI).
Sporadic exploration learning <i>Not challenging established rules/keeping the status quo</i>			
“We have been slow with the adoption of the internet...never challenge what we are doing or anticipate developments...”	“...there are all sorts of rules that we have to follow...That restricts what we could do...On the other end... we	“...I believe we never look at it [innovation] from a different perspective. We have always done in this way, and therefore, we will do just	“Previously it was like ‘let’s look at the way we do things and see if we can make a small change here and there and make it a bit more efficient. Incremental change, continuous

(Head of Savings and Investment, BSC).	never question what we are doing... or think to introduce something drastic" (Senior Manager of HR Recruitment, BSA).	something a little bit different, and we think that's innovative, but it is not! I think it is coming up with a complete different idea and challenging the norms that have been for some time..." (Senior Manager of E-commerce, SSB).	improvement...we have done all of these things. What we are looking at now is to forget what is there and how can we actually radically change the processes to make them more efficient and more effective... " (Senior Manager of IT, GI).
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**TABLE 12 - NICHE PLAYERS
SOCIAL AND ORGANISATIONAL SYSTEMS**

Semi-structures <i>Organic structures</i>			
"...We have got a very short chain of command. So, there is no hierarchy" (Head of HR, BSB). "...We have a more informal management structure." (Head of Marketing and Product Development, BSB).	"...We are reasonably unstructured...very flat" (Head of HR recruitment, MF). "...People can make decisions very quickly...and if required they can easily access the top people easily..." (Head of Market Analysis, MF).	"It is a very organic structure. We have got little formalities, very informal, organic flat... In our competitors, that's very different. Our major competitors are very hierarchical, very mechanistic" (IT Director, HB). "...Because of our short chain of command we are very quick in our feet...and we can make things happen a lot quicker, whereas the other companies can't..." (Head of Marketing, HB).	"There is an informal creative process as such, very loosen" (Director of Multi-Delivery Channels, e-Bank). "I think there is a relatively small team and we have not got the baggage of the bureaucratic organisations. As a team we can move very quickly, without having to go through a formal approval process ..." (Director of Marketing, e-Bank).
Semi-structures <i>Structured processes</i>			
"I think we do have a very good controlled environment too. I think, again, a company about our size and structure has always to look at cost/benefits...I can't think of many more companies that have innovated as we	"We share certain key processes. For example, we share the project management framework. We operate the project management framework...with people from the HR, with people from M&A. So, that helps because we are all talking a common language" (Head of HR	"One of the things that we have been proactive ...is our project methodology... The innovation ...has been done in a very structured way and that framework [project methodology]has allowed us to...get common systems and common processes in place for delivering	"We have probably been operating in this way [the interviewer draws lots of small arrows] and we are trying to move more toward that one [the interviewer draws a big arrow] at the moment. This is the great way [the interviewer indicates the small arrows] to operate, it is a good fun, but it can be a lot of

<p>have... we have the usual business control of cost/benefit and project management structured approach..." (Senior Manager of E-commerce, BSB).</p>	<p>Recruitment, MF).</p>	<p>change..." (Senior Manager of IS, HB).</p>	<p>wastage, can be very costly. As we have just floated, the focus on the e.com companies is to make a lot of money now, quite rightly. So, we have to be very cost focused now. So, it ends moving towards this much more controlled methodology" (Director of IT, e-B).</p>
<p>Culture <i>Culture of change</i></p>			
<p>"It is not so hierarchical as in many organisations... it is a very open culture and it is our particular strength, so it is very hard to replicate in different organisations..." (Senior Manager of Business Strategy Development, BSB).</p>	<p>"It is a very open culture and people are very much encouraged to give opinions and feedback... Junior people can send an e-mail to [the Managing Director] and they get reply within 2-3 days or even quicker if he was around" (Head of HR Recruitment, MF).</p>	<p>"We managed to develop an evolving culture in this organisation - people who want to actually develop themselves, who want to develop the organisation, who want to succeed... It is... an evolving culture, I think" (Head of Marketing, HB).</p>	<p>"We are quite a liberal organisation, very open... creativity comes from every place" (Director of Multi-Delivery Channels, e-B).</p>
<p>Culture <i>Risk-taking culture</i></p>			
<p>"... Our senior management are prepared to take those risks and I think if we look back, our number of products, for example, have been leading edge. We were the first to introduce those ... and again most of the lenders offer similar products now. So, we are not afraid to take risks" (Head of HR, BSB).</p>	<p>"You can't be an innovator without taking some opportunities and risks" (Head of HR Recruitment, MF).</p>	<p>"We have driven this bank and created a culture environment where we have people prepared to innovate and take risks. So, we are away from the 'blame' culture because if you innovate you do take risks" (IT Director, HB).</p>	<p>"I think risk taking probably plays more a part in our innovation and creativity..." (Director of Customer Experience, e-B).</p>

TABLE 13 – LARGE PLAYERS

SOCIAL AND ORGANISATIONAL SYSTEMS			
Bureaucratic structures <i>Hierarchical structures, moving towards flatter structures</i>			
<p>“Certainly...hierarchical until recent. A grade system tends to drive structure...tends to dictate the number of layers...we had about 12 grades...ended in 12 layers... Now, we have embraced a philosophy that we have to move towards broad bands... We try to... achieve a flat structure throughout” (Head of HR Development, BSC).</p>	<p>“We are a hierarchical organisation. We are working on cutting layers of management out...” (Head of HR Development, BSA).</p>	<p>“We are pretty much a hierarchical organisation, but we are now considering to introduce changes to our organisational structures and systems” (Head of HR Development, SSB).</p>	<p>“Well, we are going through a change process. Part of this process involves structural change within the business. At the moment it is reasonably traditional, hierarchical, but we are moving away from that into something which will be flatter” (Director of HR, GI).</p>
<i>Need of structured processes</i>			
<p>“...But, I also think that it is not just about flat structures... Also, we need established processes to guide the implementation of new things...” (Director of E-commerce, BSC).</p>	<p>“...We try to encourage the spread of best practice...so, a new way of doing things discovered into a branch would be spread through the all branches in that area... But, it is slightly apathetic. I mean it is not a structured approach” (Head of HR, BSA).</p>	<p>“... I think creativity alone is not sufficient...Also, I think process. I think you can probably get as much innovation, research, clever ideas, if you have the correct process...We need to have more systematic processes for it” (Head of HR Development, SSB).</p>	<p>“... But, you also need structured processes, because if you did not have that, you would have everyone coming up with their latest wonderful idea, which might be great for them but, which would cause all sorts of problems in different parts of the business” (Director of HR, GI).</p>
Culture <i>Risk-averse culture</i>			
<p>“One of the problems with financial services organisations is that we are strictly controlled... You have to sit down and consider risk and all the assumptions that go with it... You will never</p>	<p>“I think we would regard ourselves as being slightly risk averse...“I think, it [the fact of being less innovative] is strongly cultural” (Head of HR Development, BSA). “...Maybe because banks are less</p>	<p>“I think we are particularly risk-averse” (Senior Manager of E-commerce, SSB). “...It tends to be risk averse and that reflects the way individuals operate. As a financial institution built on prudential management, people tend to be prudent!”</p>	<p>“I think there is an inertia, a risk-averse attitude about the business... The capacity for truly innovative ideas is a bit less than for example if you were developing software, where somebody can have a totally</p>

<p>...make decisions very quickly. But, I think historically, we are slow in making decisions. I think that is down to the culture of an organisation” (Head of HR Development, BSC).</p>	<p>innovative, entrepreneurial by nature. They have been brought into a risk-audit controlled, compliance environment... (Head of Business Strategy, BSA).</p>	<p>(Director of IT, SSB). “So, I think that one of the keys to me is first of all a culture that encourages risk taking, making mistakes, experimentation. So, I think the culture is much as critical as creativity” (Head of HR Development, SSB).</p>	<p>different idea which can change that market and change it in a very short period of time... Therefore, there is no attraction to the real entrepreneur...to work in this kind of environment” (Director of HR, GI).</p>
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