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Using Organizational Design to Move Beyond the Explore/Exploit Conundrum

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Today's organizations face a dizzying array of complex global, technological, and strategy implementation obstacles often associated with dynamic increases in the pace of change. Thus, many experts suggest the role of organizational design is to facilitate the implementation of a strategy designed to cope with current operational dilemmas while simultaneously seeking ways to develop new capabilities. On the surface, this approach makes perfect sense and would most likely be regarded as a solid approach to organizational design. This article offers an alternate approach; one that argues the primary role of organization design is to release the creative energies of employees who facilitate strategy implementation by anticipating the needs of internal and external stakeholders. These types of designs create synergy by integrating compelling visions with the leadership philosophy that people build the identity of the organization and thus, are its greatest value creator.

Remarkably structural design of organizations rarely comes to the forefront of leader discussions on business strategy or on ways to increase the productivity of staff. Organizational design is a critical success factor for any business entity as a proper design enables the focus and creative energies of leaders and staff to be released on the work at hand (Harmon, 2001). Since there is no perfect design, the creation of a proper design is a matter of "fit" and depends on the strategic focus of the organization; whether it is exploitation, exploration or a balance between the two approaches. Regardless of strategy, organization design, from the simplest challenges to the most complex, requires a holistic view with a clear vision of the firm's purpose, its chosen market strategies, an understanding of the resources needed to pursue objectives and the optimal approach for arranging to employ those resources (Miles, 2012). Additionally, a proper design must be equipped to adapt to the continuing move away from an industrial oriented society toward one centered on knowledge and service industries. In this regard, the type of work itself becomes a critical design factor as the specific types of energies released are significantly different in these two industries.

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Exploitation and Exploration as a Continuum

Pursuing exploitation activities implies a focus on the refinement and extension of existing competencies, technologies, and paradigms (March, 1991) and is necessary for improving current operations allowing focus on the near term (Carroll, 2012). Exploration, on the other hand, is future focused with a desire to experiment with new alternatives in order to find the next breakthrough idea, product, or market (Carroll, 2012). Most researchers suggest that to be competitive today and in the future, organizations must find a way to combine these two activities. Levinthal and March (1993) articulate the sentiment well: "the basic problem confronting an organization is to engage in sufficient exploitation to ensure its current viability and, at the same time, devote enough energy to exploration to ensure future viability." However, the broad challenge in simultaneously achieving exploration and exploitation is that the organizational design elements that promote exploration are distinct from design elements that promote exploitation (Boumgarden, Nickerson, & Zenger, 2012).

Moreover, the type of organizations that emphasize exploitation hire, train, and retain a vastly different type of employee and emphasize specific skills that are not necessarily compatible with the explorative organization employee. While it is clear people have the capacity to learn new skills, this is not the same as an individual's inherent talent. Talent is described and identified by an individual's interests, values, vision, career stage, personal philosophy, and style (Boyatzis, 2008).

Despite their seeming incompatibility, those organizations in which an "either or" proposition to the exploit or explore dilemma is not a viable solution the organization can choose to cycle back and forth between the two. Temporal cycling between long periods of exploitation and short bursts of exploration have been identified as an alternative balancing mechanism that may be both logical and practical (Gupta, Smith, & Shalley, 2006). While this cycling back and forth may create other challenges such as issues with congruence, continuity, and fit; the complex global environment and dynamic shifts in consumer and stakeholder expectations make the idea of "fit" potentially passé as it is a static concept (Nissen & Burton, 2011). Thus, a replacement for fit or congruence is required and that replacement is a balance between order and flexibility. One way to accomplish this is through the aforementioned temporal cycling. One of the most common areas of organization design where this appears is in the centralization versus decentralization debate (Nickerson & Zenger, 2002) where each option offers benefits, but balance works best over time (Carroll, 2012).

This approach makes two assumptions: the organization is and will remain complex and the employees are complex practitioners. Complexity for the organization is the cumulative by-product of turbulent environments, large, and small organizational changes, increasing stakeholder demands, combined to weave complications into the way work is accomplished. With this complexity, teams and teamwork become an essential part of each change or realignment. Team diversity created from the combination of skills of the "balanced" workforce derived from both the tangible and intangible serve to mitigate the overwhelming nature of a design that consistently reorients itself based upon the exploit/explore paradigm. While teams

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can mitigate many of the dysfunctional issues resulting from this "vacillating" approach, there is still the potential that employees will see these changes as faddish and choose to simply wait out any reorientation rather than commit to it (Carroll, 2012). In other words, the energies of each employee would be suffocated and their behaviors constrained (Nadler & Tushman, 1997) as they begin to lose sight of the vision and identity of the organization. Thus, trust may begin to erode as continuous fluctuations will be seen as a lack of behavioral consistency (Hunt, Lara, & Hughey, 2009) by leaders even if there were previous successes. Based upon the evidence above, an alternative organizational design should be considered; one that is better equipped to ensure the vitality of employees are enhanced and will facilitate the release of their energies into productive outcomes toward strategy and growth.

Modular Organization Forms

As previously stated, the purpose of organization design is to create an atmosphere and structure that facilitates the productive energies of the entire workforce. A modular design combines important portions of both mechanistic and organic features (Jansen, van den Bosch, & Volberda, 2005a) that are developed through a collective organizational context (Gibson & Birkinshaw, 2004) focused on teams. Many scholars have advocated this approach through what they call an ambidextrous organization which is often defined as a firm's ability to operate complex organizational designs providing for short-term efficiency and long-term innovation (Tushman & O'Reilly, 1996). This article also advocates for this capability, however; it is argued that a more simplistic organizational form is required – one that avoids the mistake of attempting to retrofit or add a matrix overlay (Bryan & Joyce, 2005) on top of an already complex structure. Since episodic and irregular change can be difficult to implement (Carroll, 2012), business unit reconfiguration may be a reasonable solution. Reconfiguration, broadly speaking, refers to the redesign of certain elements or components of an organization. Business unit reconfiguration is the addition of units to the firm, deletion of units from the firm and recombination of units within the firm such that resources and activities are still retained by the organization (Karim, 2006), including human assets. This approach makes it possible for firms to use resources in new combinations, improving the effectiveness of resources and furthering innovation (Kogut & Zander, 1992).

Again, releasing the energy of all those in the firm is essential in this endeavor and thus, one of the primary assets that can be "repurposed" are humans. Doing so indicates that leaders have a vested interest in each employee's welfare and have a sense of attachment to their employees (Whitener, Brodt, Korsgaard, & Werner, 1998), not just the strategy that they create and implement. In turbulent settings, the organization itself may be the strategy in that strategic movements are no longer initiated solely at the top, but result from leader and employee choices made at every organizational level, which means that organizations need to create designs that favor alertness and have the capacity to respond (Cunha & Rego, 2008) favorably. Here, reconfiguration is most useful in that modules of teams can be arranged as a mechanism for purposeful experimentation (Karim, 2006) based on information that was triggered by well-informed employees because of their deep understanding of stakeholder needs and desires. Additionally, these reconfigurations need not be orchestrated. Emergent reconfigurations,

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sometimes called swarm organizing, can take place in companies where a meaningful purpose is unleashed toward a particular problem or opportunity (Cunha & Regho, 2008). In order for this to occur, leaders must delegate control to the team so they can complete or perhaps even invent their tasks and make meaningful decisions about the direction they take to meet customer needs. This does not necessarily indicate decentralization, rather, it specifies inclusion, and inclusion is one of the best ways to develop trust in an organization as inclusion means transparency.

One of the potential results of deliberately organizing around simplicity is the creation of a developed collective mind. The concept refers to a developed attentiveness and caring about the actions of the other organizational members in such a way that individual know-how is made subservient to group processes (Cunha & Regho, 2008). Most notably, this approach is about ensuring trust permeates the organization, as trust is an essential component of productivity and quality (O'Brien, 2001). When employees feel good about their work situation and fellow team members, they enjoy their work, usually work harder, and accept more challenges (Reina & Reina, 1999). In other words, organizational trust enables employees to perform at an exceptional level (Hunt, Lara, & Hughey, 2009) by releasing their combined energies, thus enlarging the scope of human and intellectual capital (O'Brien, 2001) for the benefit of the organization and its stakeholders.

It is important to note that firms that patch and reconfigure are constantly updating their business units such that a unit is small enough for agility and large enough for efficiency (Eisenhardt & Brown, 1999). Regardless of the specific actions taken, whether it be centralizing functions or shifting reporting relationships, the point is to think of organizational design as a dynamic, ongoing, and organic process instead of a one-time exercise in engineering (Ashkenas, 2007). Engaging employees in the reconfiguration and or simplification process is essential and can create a climate of continuous problem identification, enhancement recognition, and basically the desire for a better organization. The art of reconfiguration is of course not simple; it is something that must be learned over multiple experiences before leading to subsequent innovations (Karim, 2009) or improved processes. Reconfiguration is essentially an adaptable design where structure, processes, people, and rewards capture value from a flexible intent and support the idea that the implementation and re-implementation of a robust strategy is a continuous and normal process (Worley & Lawler, 2009). These are the new types of designs needed as leaders continue headlong into complex and dynamic workplaces of the 21st century.

New Organizational Forms

New organizational forms, ones that can sustain the viability of a firm throughout the remainder of this century, must be designed or redesigned to meet the needs of the customers they serve (Harmon, 2001) where the customer resides. The particular ends pursued will vary across organizations as they appeal to and are accountable to different stakeholders, and the possible design permutations will be driven by a host of rational, behavioral, economic, and institutional factors (Greenwood & Miller, 2010). It appears that firms in many industries are entering a period in which they will need organizational designs that help them anticipate rather than follow technological and market developments (Miles & Scaringella, 2012). Many of these

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developments are already upon us or are just around the corner and thus can be easily recognized, such as ever increasing advances in technology, the continuation of virtual globalization, and the almost insatiable appetite of the consumer for new products and services all being the norm. While these developments are certainly significant, there is something deeper at play here and that is the nature of work itself. What will work look like? Who will perform it? This article suggests there will be two forms of work: creative work and service work.

Creative workers make it possible for companies to deal with rapidly changing and uncertain environments, and they produce and manage the intangible assets that will be the primary manner in which companies create value (Bryan & Joyce, 2005). In this scenario, the knowledge worker will develop the type of organizational structure that best fits their needs. Most likely it will be an organic form where physical presence at a particular place will not be important (Hill & Stephens, 2003); thus, a network structure would seem to be appropriate. This organizational model might also narrow the scope of line managers, create ad hoc teams to discover new opportunities and develop knowledge marketplaces to recruit talent rather than using in-house recruiters (Bryan & Joyce, 2005). For the knowledge oriented business, the lack of direction from management and the ad hoc, seemingly chaotic environment actually enhances morale and performance (Laubacher & Malone, 2007) because it aligns with the entrepreneurial spirit of this particular workforce.

Additionally, the service industry will expand significantly and may even include currently heavily regulated industries, such as banking and finance, thus creating large conglomerates that offer economies of scale through hierarchical structures. Lifetime employment will make a comeback (Laubacher & Malone, 1997), but so will a focus on strict efficiency measures, employee output, lack of autonomy, and centralization. While hierarchies are often scoffed at as a viable solution for effective performance and to ensure the well-being of employees, leaders have an opportunity to retain the best of hierarchical structures while at the same time acknowledging the heightened value of people. It is, of course, people who hatch ideas, innovate, and collaborate with peers to generate revenue and create value through intangible assets such as brands and networks (Bryan & Joyce, 2005). These new or at least adapted organizational models for tomorrow's organizations will not emerge spontaneously from the obsolete legacy structures of the previous century. Rather, organizations must design these new models holistically, using new principles that take into account the way professionals create value (Bryan & Joyce, 2005). What is required is a built-in capability to reinterpret the internal and external environment on a consistent basis – the ability to conduct a self-diagnostic. This capability offers two things:

1) A tool for ensuring the organization is balancing the need for continuity in such things as processes and organizational identity with the capability to handle discontinuous change (Raisch & Birkinshaw, 2008).

2) A philosophy that ensures the organization uses all available techniques: double loop learning (Argyis, 1976), pattern recognition (Keidel, 1995), strategic thinking

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(Sanders, 1998), the use of metaphor (Morgan, 2005), re-framing (Bolman & Deal, 1991), and even upside-down thinking (Handy, 1990) to contend with the current and future environment.

Often, attempts to deal with these dilemmas result in the accumulation of structural changes thus driving up complexity even more over time (Ashkenas, 2007). The problem is not structure itself; the issue is structure that does not provide value to the system. What is needed is a combination of the often maligned but effective control measures and boundary mechanisms while periodically adjusting structure to meet stakeholder needs and is a simple as possible (Ashkenas, 2007).

Conclusion

The demands on our organizations come from an ever increasing variety of sources and will continue to expand and change in ways we may not be able to forecast. The remainder of this century will witness dramatic changes in the types of industries created and the types of workforce required to ensure organizations are successful. While strategy and fit are essential elements of new organizational designs, this article offers that it is essential for businesses to create forms that facilitate the release of the positive energies within each employee. Moreover, it is critical to realize that the design process is never completed, only that there may be a short period of equilibrium until a new design is required. Organizational designs that focus on the intangible aspects of human energy create synergy by integrating a compelling vision, a solid strategy with a viewpoint that it is people who are, in essence, the organization. These types of designs create long-lasting value and thus, have the best chance of success not only today, but also for the remainder of this century.

About the Author

Paul Dannar has more than 16 years of experience as an internal consultant concentrating on organization development for various military organizations at the operational and strategic level. He most recently served as a special assistant to the Supreme Allied Commander of Europe and NATO. He is pursuing his doctorate in strategic leadership at Regent University (Virginia). He can be reached at pauldannar@gmail.com.

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