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Managing the exploration vs. exploitation dilemma in transnational “bridging teams”

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Abstract

In this paper we explore the dilemma between exploitation and exploration in dispersed “bridge-teams,” i.e., teams in a firm working closely with an external partner. Based on the seminal insight by March (1991) and the learning model developed by Crossan, Lane, and White (1999), we set out to explore what type of learning is generated in teams and to what extent this learning is captured by the firm. We present four cases from two firms giving some variety in learning approaches. Based on this insight, we argue that characteristics of the activity being performed, the team itself and the firm are influential relating to what is learned and how much is shared. We argue that teams that are located at different locations and involving many nationalities have higher exposure to a variety of rich knowledge, but that the process of integrating this learning into the firm is more difficult due to distance leading to lower visibility and central managerial attention.

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1. Introduction

Organizations that structure their activities in teams face an interesting dilemma. Cross-functional teams are often more efficient than functional or divisional structures because effort is concentrated and focused (Park & Harris, 2000; Shockley-Zalabak & Buffington Burmester, 2001). At the same time cross-functional teams constitute a unique “new” learning ground (Mohrman, Cohen, & Mohrman, 1995). Hence, teams are grounds for both exploiting “old” and exploring “new” knowledge, although a focus on one process often reduces focus on the other (March, 1991). An important challenge for many firms is to grasp the

learning that takes place within the team, especially in situations when activities within the team take place outside the firm. Acknowledging, integrating and using individual and collective learning within teams are in our experiences often concerns for firms. In this paper we want to address the dilemma between a focus on task completion and innovative learning in teams and the learning that is obtained by the firm and ask: *What, and under what conditions, can firms learn from their teams?*

The dilemma between exploration and exploitation (March, 1991) seems to be especially critical for organizations that rely on teams in three situations: First, when the team is a “bridge” to an important external alliance partner. Many firms today have found it useful to work with external alliance partners for a variety of reasons (Contractor & Lorange, 1988; Doz & Hamel, 1998). Often, firms find it useful to organize their external relations through a team, and this is what

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we refer to as a “*bridge-team*,” consisting of individuals from the focal firm, but set up for the purpose of realizing a strategy with an external partner. This team is the main meeting place between the two partners where the information transfer and knowledge creation materializes. Second, when the team is transnational and virtual in the sense that team members are located across time, space and cultures (Mowshowitz, 1997). Almost by definition, teams working intimately with customers are at times dispersed, and need to communicate and organize their work over distance. Dispersed teams, interacting primarily via electronic networks, often develop “swift trust” that is fragile and temporal (Jarvenpaa & Leidner, 1999), and as learning often is tacit (Itami, 1987), these teams are lacking the contextual richness of face-to-face communication that seems to be important for the transfer of this kind of knowledge. Third, when this team involves knowledge creation. Many researchers have stated that alliances are important sources for information and knowledge transfer (Badaracco, 1991; Contractor & Lorange, 1988; Doz & Hamel, 1998; Løwendahl, 2000; March, 1991; Powell, Koput, & Smith-Doerr, 1996). Alliances solving new problems represent temporary innovative learning grounds where the firm is able to explore new areas together with an external partner offering complementary views. Often, a meeting place between alliance partners represents a unique learning arena where the team is allowed insight into routines, activities and resources of another firm. Access to partner information and joint learning can be critical for the firm to develop its competencies in directions demanded by customers (Mowery, Oxley, & Silverman, 1996).

Our focus in this paper is to explore the relevance and impact of the exploration vs. exploitation dilemma in knowledge creating, dispersed “bridging-teams.” Our main interest is to look at the short term and long term benefits of teams to an organization, not only focusing on the team as an efficient mechanism for *getting things done*, but also on “*bridging teams*” as a mechanism for *knowledge creation contributing into the knowledge bases of the firm*. Our contribution will be to look at intra- and inter-team conditions that either are related to exploitation or exploration to look for characteristics that may help us understand whether and how firms learn from teams.

2. Theoretical insights

March (1991) has recognized that firms face a dilemma between spending their time and resources on using their current resource base to produce and sell known products and services and hence try to make these as effective as possible, or spend their time and resources on developing new resources. This dilemma between exploiting and refining what is known and developing something completely new has also been recognized by others, for example in the learning and innovation literature. Doz (1993), for example talks about the tension between performance and renewal, and Ghemawat and Costa (1993) discuss static and dynamic processes, whereas Argyris and Schon (1978) talk about first order and second order learning. These ideas reflect the tension between short term gains directed towards specific uses vs. putting resources in uses that “*reduce medium to short term efficiency, but allow competencies to be less path dependent, and thus less vulnerable to changes in technology or market linkages*” (Doz, 1993: 5). March (1991: 71) states that:

Both exploration and exploitation are essential for organizations, but they compete for scarce resources. As a result, organizations make explicit or implicit choices between the two. The explicit choices are found in calculated decisions about alternative investments and competitive strategies. The implicit choices are buried in many features of organizational forms and customs, for example in organizational procedures for reducing slack, in search rules and practices, in the ways in which targets are set and changed, and in incentive systems . . . Processes for allocating resources between them embody intertemporal, interinstitutional, and interpersonal comparisons, as well as risk preferences.

Dechant, Marsick, and Kasl (2000: 13) refer to this dilemma in teams arguing that learning (defined as reframing) occurs when people reflect critically on assumptions and beliefs that underlie their assessment of a situation. Challenging beliefs allows people to change existing mindsets. To do this requires time for reflection and reconsideration of an opinion. They also refer to treatments of this dilemma by Friedlander (1983) and Langer (1989). Friedlander argues that people who are concerned with task accomplishment

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