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Managing Exploration and Exploitation in a Media Organisation
- A Capability-based Approach to Ambidexterity

Abstract

This study contributes to emerging research on management of organisational tensions in the media industry. We approach the topic by utilizing the concept of ambidexterity, which has hardly been applied to media organisations. The goal of this study is to provide a capability-based approach to organisational ambidexterity. Thus, we offer a new approach for analysing media management by operationalizing ambidexterity with operational and dynamic capabilities.

The study analyses, what kinds of tensions ambidexterity creates between managerial operational and dynamic capabilities. The empirical analysis is based on interviews with top-level managers at the Finnish Broadcasting Company, Yle, during 2013/14. The approach is qualitative. The results are presented by using our theoretical approach of combining exploration and exploitation (ambidexterity) with sensing and seizing (dynamic and operational capabilities).

Keywords: ambidexterity, exploration, exploitation, operational and dynamic capabilities, change management, public media

Introduction

Digitalization is fundamentally transforming the media industry and its operational environment. Media managers face extensive challenges in combining the constant demands for operational and organisational change. Creative development and innovation are required in content, processes and business models. However, this demand occurs simultaneously with pressures for higher operational efficiency and refinements for greater streamlining of the on-going production. This presents a challenge for media managers aiming at adapting their organisations to both improve efficiency of current production (best practices) and to innovate for future (see Küng, 2007), and especially in relation to mastering the balance and tensions between the two.

Achieving the balance between current operations and future innovations is arduous and difficult in practice (Govindarajan & Trimble, 2010). Media organisations are especially interesting in this regard, because innovations are typically pursued parallel to on-going day-to-day production without separate R&D departments or comparable structural arrangements

characteristic for many other industries (Küng, 2013). This evidently brings the tensions between current efficiency and future innovative success on the agenda of the strategic management of the respective organisations.

The digital transformation and the consequential uncertainties confront the established operational practices of old and traditional, "legacy" media organisations. Shortage of innovation characterizes established organisations also more generally (Drucker, 2007). Most of the public broadcasting companies in Western Europe are facing the many challenges of digital transformation when pursuing to change their strategies, structures, competence and processes to address the digital era (Głowacki & Jackson, 2014; Gulyás & Hammer, 2013; Lowe, 2010; Lowe and Martin, 2014; Maijanen & Jantunen, 2014). The traditional focus on broadcast programming is rapidly changing towards cross-media and online services. At the same time, the audiences are changing and shifting, as well as both the domestic and international competition intensifying. All of this calls for innovative solutions.

To clarify and understand the complexities described above, this article offers a strategic management based approach by applying the concepts of *ambidexterity* and *organisational/dynamic capabilities*. Ambidexterity refers to an ability to simultaneously *exploit* current assets and more or less mature markets profitably as well as to *explore* opportunities and innovations in new technologies and markets (O'Reilly & Tushman, 2011; O'Reilly & Tushman 2013; see also March 1991). Research on ambidexterity has awakened increasing interest in the past two decades. It has covered various industries, phenomena and approaches, and comprised environmental, organizational and managerial antecedents as well as outcomes of ambidexterity (e.g. Lavie, Stettner & Tushman, 2010; O'Reilly & Tushman, 2013; O'Reilly & Tushman, 2016; Raisch & Birkinshaw 2008; Simsek, 2009). Various literature streams have been utilized to discuss organisational ambidexterity, including organizational learning, technological innovation, organizational adaptation, organization design and strategic management (Raisch & Birkinshaw, 2008). Generally across industries and organisations, ambidexterity can be associated with increased innovation, successful performance and firm survival especially in uncertain environments and for larger organisations (O'Reilly & Tushman, 2013). In achieving the competitive advantage through ambidexterity, the management of simultaneous exploitation and exploration is a core element that requires attention (Andriopoulos & Lewis, 2009; Andriopoulos & Lewis, 2010; O'Reilly & Tushman, 2011; Smith & Tushman, 2005; Turner, Swart & Maylor, 2013).

Management is responsible for balancing exploitation and exploration, i.e. current efficient performance and future renewal. Being truly ambidextrous in practice enables continuous successful development, but achieving that is difficult and inevitably leads to various tensions and paradoxes on different organisational levels (Andriopoulos & Lewis, 2009; Andriopoulos & Lewis, 2010; Govindarajan & Trimble, 2010; O'Reilly & Tushman, 2004; Raisch, Birkinshaw, Probst & Tushman 2009). These tensions and paradoxes can be recognized also in the media sector when balancing between current efficiency and future innovation. Interestingly, however, there is a lack of theoretical understanding about how the management of ambidexterity actually takes place in media organisations (Gilbert, 2005; Järventie-Thesleff, Moisander & Villi, 2014; Maijanen & Jantunen, 2014). Media organisations offer exceptionally relevant and fruitful cases for discussing ambidexterity, especially *contextual* ambidexterity (Birkinshaw & Gibson 2004; Gibson & Birkinshaw, 2004). This is because media organisations do not typically separate, like the more traditional concept of *structural* ambidexterity does (see e.g. Nosella, Cantarello & Filippini, 2012), on-going creative production, often interpreted as exploitation, and innovative research and development, interpreted as exploration.

The aim of this study is to provide a detailed and empirically grounded capability-based approach to ambidexterity. Looking at ambidextrous tensions through the lens of dynamic capabilities on the senior management level is a pertinent research topic meriting attention (Nosella et al., 2012; O'Reilly & Tushman 2013). Our main target is to analyse what kinds of tensions ambidexterity creates between managerial operational and dynamic capabilities. As applied in modern strategy research, the capabilities can be hierarchically divided into operational and dynamic capabilities (Danneels, 2015; Hine, Parker, Pregelj & Verreynne 2014; Winter, 2003). Operational capabilities exploit the existing resources for incremental innovations whereas so called (higher-order) dynamic capabilities explore new technologies and other resources for radical innovations. The simultaneous and balanced development of operational and dynamic capabilities while managing the inherent tensions is a central, but at the same time a complex managerial responsibility especially in organisations facing up rapid changes in their environments (O'Reilly & Tushman, 2008; O'Reilly & Tushman, 2011).

The empirical analysis is based on interviews with top-level managers at the Finnish Broadcasting Company, Yle, during 2013/14. At the time Yle was taking many strategic

actions in its content production, structures and customer relationships (Maijanen & Jantunen, 2014). Following the organisational and strategic reform launched in 2011, for example, more resources were allocated on internet services and also in content production, and the focus was on creation of new internet content and content for young audiences.

This study contributes to emerging research focusing on management of ambidextrous organisational tensions in media (Achtenhagen & Raviola, 2009; Gilbert, 2005; Järventie-Thesleff et al., 2014, Virta & Malmelin, forthcoming). The reasonably new research area around ambidexterity is evolving and growing (O'Reilly and Tushman, 2013; Raisch & Birkinshaw, 2008). However, in relation to media organisations or media management ambidexterity approach has rarely been applied (for a very recent case study on *USA Today* see O'Reilly & Tushman, 2016). Importantly, the operationalization of ambidexterity with operational and dynamic capabilities offers a new approach for analysing media management in the face of digitalization. This article will provide a basis for further development in combining these two concepts. The theoretical approach will provide media managers with new insights and practical understanding of, for example, how managing change relates to capabilities and competencies that either exploit and support continuity or explore and create discontinuity.

The article is structured as follows. First, we introduce the theoretical frame. Next, the empirical case of the Finnish Broadcasting Company (Yle) is presented and the research design and data collection explained. This is followed by the results of the qualitative analysis. Finally, the last section concludes the article and discusses the results obtained.

Theoretical Frame

The theoretical frame of this article is based on previous research on organisational ambidexterity as well as organisational and dynamic capabilities. In the following, we discuss these concepts and connect them to build a capability-based approach to ambidexterity. This approach is utilized in the empirical analysis.

Organisational Ambidexterity

Organisational ambidexterity can be understood as an organisation's capacity to simultaneously *exploit* current assets and mature markets as well as to *explore* new opportunities opened up by new technologies, business models and markets (March, 1991; O'Reilly & Tushman, 2011; O'Reilly & Tushman, 2013; Tushman & O'Reilly 1996). Organisational ambidexterity is the capacity to simultaneously implement both incremental and radical change, continuity and discontinuity (Raisch & Birkinshaw, 2008). Continuity is based on the exploitation of existing competencies, capabilities and assets whereas discontinuity builds on the exploration of new competencies, capabilities and assets through innovations. Exploitation is about meeting the challenges of today, while exploration is targeted to the future options, opportunities and demands. In facing turbulent environments and disruptive technologies, organisational ambidexterity is crucial for a sustainable competitive advantage (O'Reilly & Tushman, 2013; Raisch et al., 2009). Exploitation guarantees the viability in the existing business, whereas exploration pursues success in future business.

There is an inherent continuous tension and dissonance between exploitation and exploration. They embrace contradictories in terms of structures, capabilities, culture and management. Exploitation refers to such activities as refinement, well-defined choice, efficiency, implementation, execution, and control, whereas exploration is about experimentation, risk taking, flexibility and proactive search (March, 1991; Tushman & O'Reilly, 1996). Exploitation is based on profiting from short-term benefits with minor uncertainties. Exploration, in turn, is characterized by high uncertainty and risk taking; there is no guarantee of the benefits of the explorative actions. The differences can also be described in relation to the different types of innovations: Exploitation refers to incremental innovations and gradual improvements of the existing resources or capabilities, whereas exploration refers to searching for radical, discontinuous innovations (Andriopoulos & Lewis, 2009; O'Reilly & Tushman, 2008; Tushman & O'Reilly, 1996).

The main challenge for organisations lies in balancing these two realities, as March (1991, p. 71) points out: *"Maintaining an appropriate balance between exploration and exploitation is a primary factor in system survival and prosperity"*. Overemphasis on exploitation at the expense of exploration easily leads to stagnation and disability to change and meet future challenges. Respectively, overemphasis on exploration reduces an organisation's capacity to maintain itself viable in the current business. (March, 1991; O'Reilly & Tushman, 2013). Because of contradictions and differences between the two domains, they are often seen as

opposite, but, in fact, they should rather be considered as complementary. For example, existing business provides resources, capabilities and tacit knowledge to launch new innovations (exploration) and, respectively, innovations generate new knowledge for the use of the existing business (Gibson & Birkinshaw, 2004; Piao & Zajac, 2016; Smith & Tushman, 2005).

The balancing of exploitation and exploration is a challenge especially for managers (Smith & Tushman, 2005; Taylor & Helfat; 2009; Tushman & Reilly, 1996). They are to be the masters of ambidexterity, playing a key role in making decisions on resource allocations and organisational structures to balance exploitation and exploration (Gibson & Birkinshaw, 2004; Smith & Tushman, 2005). Managers' task is to embrace tensions and contradictions (Smith & Tushman, 2005) and to enhance the creation of such structures and processes, which promote to reconcile exploitation and exploration. Especially in times of drastic changes, the top managers have to be able to make radical decisions and even "to cannibalize" their existing business in order to enhance the strategic renewal (Tushman & O'Reilly, 1996).

Management of simultaneous exploitation and exploration is constrained by both organisational and market-related pressures. The minor uncertainty of the short term benefits tends to lead to a risk avert behaviour favouring exploitative activities. In addition, the organisation's path dependent and rigid nature tends to constrain or even counteract the exploration. Organisations are comfortable and efficient by just exploiting the learned competencies, routines and assets (Nelson & Winter, 1982). The established organisational culture and business logic becomes the natural way of acting and thinking at all organisational levels, including top managers (Bettis & Wong, 2003; Kor & Mesko, 2013; Tripsas & Gavetti, 2000). In result, managers are often too inclined to rely on the learned patterns of responding and making decisions (Smith & Tushman, 2005; Uotila, Maula, Keil & Zhara, 2009).

The organisational ambidexterity embraces also strategic thinking (Gilbert, 2005; Smith & Tushman, 2005; Taylor & Helfat, 2009). This links the analysis of exploration and exploitation to the managerial and organisational cognition (Kaplan, 2011; Walsh, 1995). Organisations apply strategic frames or dominant logics (Bettis & Prahalad, 1995; Prahalad & Bettis, 1986) to determine the firm's approach to its business. This provides the worldview and lens through which managers – and the organisation in general – interpret the complex reality (Bettis & Wong, 2003; Kor & Mesko, 2013). Ambidexterity in managing change requires that the

managers as decision makers are capable of balancing and linking different and often contradictory strategic frames simultaneously, the old frame supporting exploitation and the new frame enhancing exploration (Smith & Tushman, 2005; Taylor & Helfat, 2009). In practice, this is very challenging because the "old" strategic frame serving the current business is deeply embedded in the organisation thus directing its actions and perceptions (Bettis & Wong, 2003; Oblój, Weinstein & Zhang, 2013). During radical changes and major uncertainty, the shared cognition, dominant logic, can have a strong influence on how managers interpret new information (Taylor & Helfat, 2009). This may lead to fatal consequences for the firm. The classical example is the study of Tripsas and Gavetti (2000) on Polaroid, whose managers were unable to shift their strategic thinking to cope with the new digital imaging business (see also the case of Nokia, Vuori & Huy, 2016).

To overcome the path dependencies and organisational rigidities described above and to implement ambidexterity, a skilful and determined management is needed. As Smith and Tushman (2005, p. 523) note: "*It is the senior team that mediates between external forces for innovation and change and internal inertial forces.*" Senior management has to have the visions for the future, and it has to be capable of making decisions to serve those visions in a way that also exploits existing assets and capabilities.

Operational and Dynamic Capabilities

Organisational capability implies an organisation's capacity to execute certain activity or task "*in a reliable or at least minimally satisfactory manner*" (Helfat & Winter, 2011; also Dosi, Nelson & Winter, 2000; Helfat et al., 2007). It is not an ad-hoc or one time solution but a patterned, reliably repeatable activity undergird by organisational routines and competencies. Furthermore, it has an intent, e.g. a newspaper has the capability to produce news or a dockyard has the capability to build ships.

In strategy research, organisational capabilities are categorized hierarchically into lower-order operational (or operative) and higher-order dynamic capabilities (Danneels, 2015; Helfat & Winter, 2011; Hine et al., 2014; Winter, 2003). Operational capabilities enable a firm to make a living on an everyday basis, i.e. to reach short-term success by fulfilling today's tasks and goals as well as current customer needs (Danneels, 2015; Winter, 2003). Operational capabilities sustain the status quo. They are not determined to be unchangeable, but they can

be improved and refined leading to incremental improvements e.g. in existing products or production lines. In fairly stable environments, firms do well by building and deploying operational capabilities. But stability is hardly ever the case in today's global business world. That is why dynamic capabilities are needed to enable organisations to succeed in the changing circumstances (Helfat & Winter, 2011). With dynamic capabilities, a firm renews and modifies its resource base, assets and competencies in order to address the changing demands in the environment and to reach a long-term success (Helfat et al., 2007; Teece, 2007; Teece, Pisano & Shuen, 1997). Dynamic capabilities have various functions depending on a firm's strategic focus and the ways in which the organisation wants to renew its business and resources. They may relate to marketing, product development, business acquisitions, business models, etc.

Teece (2007) operationalizes dynamic capabilities by categorizing them into sensing, seizing, and reconfiguring capacities. Sensing is needed to sense the emerging opportunities and threats in the environment by e.g. proactively scanning new technologies, competitors and customer needs. Seizing is required to seize the scanned opportunities (strategic options), e.g. by making prompt and timely decisions on investments, resource allocations, organisational structures, alliances etc. Reconfiguring (transforming) is to renew, orchestrate and modify resources – competencies, assets, and capabilities – by acquiring new resources through alliances or renewing competencies through training, as examples. These capacities perform sequentially in a logical order (Helfat & Peteraf, 2009; Teece, 2007). Sensing provides the necessary information for seizing. The seizing capability, in turn, absorbs and captures the sensed opportunities in the organisation. Seizing in turn gives the direction for the reconfiguration of resources, e.g. figuring out what kinds of competencies are needed. In fact, sensing and seizing can be seen as prerequisites for the actual configuration of resources, as Danneels (2015) points out: "*Whether or not firms with dynamic capabilities will actually exhibit resource alteration may be contingent on prior sensing and seizing activities.*"

Importantly, dynamic capabilities as such do not necessarily guarantee good performance (Teece, 2007). They must be targeted to the strategic goals and the organisation must learn to deploy them in order to reach the desired results (Zahra, Sapienza & Davidson, 2006). Dynamic capabilities may become efficient through learning. They may also become outdated and defunct if they are not renewed and improved to meet the new challenges. As to sensing and seizing and reconfiguring capacities, an organisation may, for instance, be efficient in sensing but inefficient in seizing. In result, the sensed opportunities will not be captured effectively.

On the other hand, an organisation may have a weak sensing capacity but efficient seizing capacity, and this combination in turn may lead to too risky or potentially unwise decisions.

Dynamic capability view emphasizes the role of managers, their entrepreneurial and risk taking mind, leadership skills and visions (Ambrosini & Bowman, 2009; Helfat et al., 2007; Teece, 2007; Teece, 2012; Zahra et al., 2006). As a matter of fact, dynamic capabilities are often understood as managerial-level higher-order capabilities, although dynamic capabilities function at all levels of the organisation. Managers' visions and strategic targets dictate what kinds of changes must take place, what kinds of dynamic capabilities are needed and how well they perform. The importance of managers' clear, shared visions links dynamic capabilities to the managerial cognition (Ambrosini & Bowman, 2009; Tripsas & Gavetti, 2000; Zahra et al., 2006) and managerial cognitive skills (Helfat & Peteraf, 2015). The way managers interpret reality and determine their strategic approach to their business, i.e. the dominant logic (Bettis & Prahalad, 1995; Prahalad & Bettis, 1986) directs what issues they sense and scan in the complex environment and how they interpret and seize the sensed opportunities and needs for change. This, in turn, influences on what decisions managers make and, and consequently, what reconfigurations will take place.

This study focuses on managerial-level sensing and seizing capacities of dynamic capabilities. There are two reasons for this. First, the study focuses on change management. In the ambidextrous organisation, the managers' abilities and competencies are crucial in relation to resource allocation and to orchestrating "*the complex trade-offs that the simultaneous pursuit of exploration and exploitation requires*" (O'Reilly & Tushman, 2011, p. 6). Second, and as Teece's (2007) model of sensing, seizing and reconfiguration capacities indicate, the sensing and seizing capacities are critical prerequisites for the further renewal and concrete reconfiguration of resources in the organisation (Danneels, 2015). The organisational change depends on how managers sense and interpret the changes in the business environment and how they seize respective opportunities in the kinds of decisions they make.

Capability-based Approach to Ambidexterity

Based on the preceding discussion, ambidexterity can be operationalized by means of organisational capabilities to provide a capability-based approach to ambidexterity. As Table 1 shows, simultaneous implementation of exploitation and exploration implies simultaneous

deployment of operational and dynamic capabilities. Operational capabilities execute tasks and functions mainly related to exploitation, because and as emphasized earlier, with operational capabilities a firm exploits the existing resources for short-term success. Respectively, higher-order dynamic capabilities are needed to explore new technologies and other resources for radical innovations to sustain a long-term competitive advantage in changing environments.

Following Teeces's (2007) model of dynamic capabilities, the operational capabilities applied for short term success can be operationalized accordingly. As mentioned earlier, our focus is on managerial-level sensing and seizing activities. Simultaneous exploitation and exploration requires that managers are able to sense both the existing and future technologies and markets (customers). Consequently, managers have to simultaneously seize and make decisions for both short-term and long-terms strategic targets. To capture the exploitative and explorative aspects of sensing and seizing activities, we will use the concepts of operational sensing and seizing capabilities (exploitation) and dynamic sensing and seizing capabilities (exploration).

The four-field chart in Figure 1 illustrates ambidexterity by combining the operational and dynamic sensing and seizing capabilities with exploitation and exploration.

[Insert Figure 1 about here.]

Field A represents the exploration-based sensing capacity, which is about proactive scanning and search for new technological and market (customer) opportunities, which are often based on the capacity to sense weak signals. Field B represents exploration-based seizing capacity, which is a critical capability for making decisions that provide long-term strategic prosperity. It mainly rests on dynamic capabilities, even if operational capabilities are needed as well. Field C represents the exploitation-based sensing capacity that mainly (but not entirely) utilizes operational capabilities thus referring to e.g. scanning and gathering information about current technologies, markets and customers. Finally, field D signifies the exploitation-based seizing capacity (mainly operational by nature), which refers e.g. to ability to make exploitative decisions on resource allocations or incremental improvements of existing products/services that secure the continuation of the current business.

Research Design and Analysis

As widely emphasized in the literature on ambidexterity, the simultaneous management of both exploitation and exploration inevitably creates tensions and challenges. These tensions can be further highlighted by analysing the challenges of deploying operational and dynamic sensing and seizing capabilities simultaneously. In the following, these tensions will be analysed within our case from the Finnish Broadcasting Company, Yle, utilizing the capability-based approach to ambidexterity illustrated on Figure 1.

The Case of Yle in Terms of Exploitation and Exploration

In relation to ambidexterity, the management of digital transformation that Yle – and naturally the media industry in general – is going through can usefully be described and analysed in terms of exploitation and exploration. Managers have to constantly deploy both short term exploitative and long term explorative sensing and seizing capabilities. As to digital transformation, it is basically a question of shifting from the traditional broadcasting to the digital multiplatform content production. Yle's structures, technologies, competencies, audience relationship and work culture are rooted in the long broadcasting culture. To put it shortly, broadcasting culture means serving large audiences by distributing finished TV and radio programs. The change toward digital culture or paradigm requires radical changes in all areas of organisational life from organisational structures and strategic thinking to content production and customer relationship. To manage the change, Yle's managers have to continuously balance exploitation and exploration. They have to sense both current changes in technologies and customer behaviour, but at the same time, explore new content innovations, technologies and customers.

Case selection

Yle provides an excellent case for our analysis on ambidextrous tensions. At the time of collecting the empirical material used in this study, Yle was implementing several strategic actions moving away from producing traditional broadcasting content towards digital multiplatform content production. The strategic actions followed the big organisational and strategic reform launched in the beginning of 2011. The new organisation was built with the intention to remove barriers between different technologies (radio, TV, internet) in order to

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enhance flexible multiplatform content production. Resulting from the organizational reform, six sub-units were established: 1) the News and Current Affairs; 2) the Media unit with the task to plan and coordinate content production; 3) the Creative Content unit producing such content as drama, entertainment, or documentaries; 4) the Operations unit responsible for larger productions (e.g. sports events) and technology, 5) Swedish Yle responsible for the Swedish language content development and planning, and 6) the Joint Operations unit including units and services like HR, Strategy, Finance, Security, Legal Affairs and Communications. The directors of the units formed the Board of Directors of Yle, led by the CEO.

A strategic focus of the reform was to shift resources from the traditional radio and TV content to internet. One of the biggest challenges was to innovate content in order to reach young audiences among whom Yle has been enjoying a fairly low popularity. It is worth noticing that during the time Yle's role and public service remit was actively debated and questioned especially by private media. The lobbying of private media companies related to the political process of changing Yle's funding. Their aim was to reduce Yle's role especially in the internet. Finally, a tax-based funding model was launched in 2013 to replace the earlier licence fee funding. (Maijanen, 2015; Yle, 2014).

Data Collection and Analysis

This is a qualitative case study based on content analysis of semi-structured interviews with 14 Yle's executive level and strategic-level managers during 2013/14. Managers represented different units, ages, genders and work experiences (from inside and outside of Yle). The managers, who were selected as interviewees, held a strategically relevant position at Yle after the organisational reform. The interviewees comprised five managers form the Board of Directors (in our analysis "the executive level") and nine managers from the level immediately below the top management team representing the strategic management (in our analysis "the strategic level") of the sub-units mentioned earlier.

The interview guide was planned and prepared according to the main themes. The interviewees were asked, how they understand the need for change, how they scan the changing media market, how they make decisions, what kinds of decisions they had made and what kinds on challenges hey had been facing in relation to the occurred and planned changes. Despite the structured plan, the interviews were informal by nature, which allowed the managers to talk

freely about their personal experiences (Eriksson & Kovalainen, 2008). The interview durations varied from one hour to one and a half hours. The interviews were digitally recorded and transcribed by a professional transcribing agency.

The analysis of the interviews was conducted using the capability-based approach to ambidexterity (see Figure 1) as the starting point. The purpose was to detect what kinds of tensions between exploitation-based and exploration-based sensing and seizing capabilities emerge in managing change. The transcribed interviews were analysed according to a thematic analysis and coding method (e.g. Miles, Huberman & Saldaña, 2014; Patton, 2002) using the Atlas.ti software. To start with, all interviewees' expressions related to sensing and seizing activities were identified from the empirical material and coded according to the division of exploitation and exploration (i.e. whether it is a question of exploitation of current assets and markets or exploration of new opportunities). Furthermore, the coded expressions were analysed in terms of the kinds of tensions and challenges that managers perceive when coping with the two often opposite forces. Following this, the coded expressions were further analysed and categorized with the frame presented in Figure 1. The coded expressions in different groups were read several times, including taking notes, to form an in-depth picture of the empirical material. Finally, the coded expressions were grouped according to emerging themes on the basis of the analysis. The results based on the analysis process are discussed next.

Results of the Analysis

In the following, the tensions between exploitative and explorative sensing and seizing activities will be presented and analysed in the context of empirical material gathered from Yle. Following the analysis, the results will be discussed with conclusions, and summarized in Figure 2. The quotes from the empirical material, which are used to illustrate the analysis, are labelled according to the two management groups described earlier: the Board of Directors, i.e. the executive level (abbreviated as EL in the quotes) and the strategic level managers of the sub-units (abbreviated as SL in the quotes). The respondents' quotes in each group are numbered starting from "1" in the order of appearance.

Tensions Between Exploitation-based and Exploration-based Sensing Capacities

The analysis of the interviews clearly shows that managers do pay attention to both existing change in the media environment and long-term trends in customer behaviour, content and technologies. The interviewees often emphasize that they are coping with two worlds, which they typically call the "broadcast" world and the "internet" world.

In the interviews, managers name various forms of gathering data and making sense of the current and future trends in media, such as viewer, listener and user statistics, market share analysis, customer surveys, and media environment analysis, to name a few. These are traditionally focused on the changes of the current media environment. Visiting conferences and other media firms, focus group testing, networking in the society, and use of external and Yle's own experts are examples of the ways to tackle future trends. Many managers also emphasise the importance of discussions and meetings, organized on everyday basis, in making sense of the complex world. Also intuition, personal experience, passion and desire to search for new ideas are considered central in sensing for the future. Managers seem to feel that they have plenty of resources to gather information and that they have a lot of information available. Managers are aware of the need to sense and understand the requirements to address the future developments, especially in customer base:

> *We have a very good position in audiences over 45. But we are not successful in under 45 and the development is not going into a better direction. (…) We are in a hurry in the way that if we for some more time continue being irrelevant for these people* [younger generations] *or they don't experience that we are relevant for them, we soon stop being relevant for real, because we are not an alternative for them anymore (…). This will make our existence and future more difficult."*
> *(Respondent SL 1)*

There seems to be a tension between how much sensing should be directed toward loyal, "old" audiences and how much to "younger" internet-oriented audiences. Even if the young audiences are strategically important, many of the interviewed managers perceive that the bias is toward the familiar loyal audiences that form the biggest group among TV and radio audiences:

> *"Because the audience relationship is incredibly strong among older people, it is also the group of people that we are listening to a lot (…) The respect is enormous*

toward them, because their numbers in the audience are huge in relation to the
whole population.”
(SL 2)

Yle managers pay quite a lot of attention to redefining the public service task with the crucial question of what kind of content is justified by tax funding. This question has a long-term, strategic perspective and effect.

“The question is, what is justified to do with tax funding. What value does it really
provide for the society? One core question of the company strategy is how to
answer this question.”
(EL 1)

The reflections related to the public service task have also a long-term strategic perspective with the question of how to differentiate from the private media when fulfilling the public service task:

“We have to look at the others, what they do and how they attract women in their
twenties and thirties and do it in our own way, in the Yle way, in the public service
way.”
(SL 2)

After the tax funding decision, the need to secure accountability and to differentiate the public service has become even more relevant than previously, as one manager describes:

It [Yle tax] *has affected us on all levels from managers to makers (…) we are*
watched and our actions have to now be more accountable and transparent than
before. And all that we do has to be justified in the context of public service, and
now we are constantly looking for issues in which we see that we should strengthen
our service.”
(SL 3)

Managers have to also sense the expectations and opinions originating from the political elite. As one manager told, they had started to follow "more systematically" the politicians' opinions

of Yle. One reason for the managers' operational-based sensing toward politicians is the lobbying of private media. Hence, in addition to the competitor analysis, private media is followed also for this reason:

"It [private media] *challenges us especially through political decision-making. Private media have a big influence on decision-makers, and the management and journalists of private media meet political decision-makers daily. They have adopted this understanding that Yle is having good times, and things are extremely well in comparison to them. And this, of course, affects politicians' opinions."*
(EL 1)

Tensions Between Exploration-based Sensing and Exploration-based Seizing Capacity

As noted above, Yle's managers are well aware of the need for radical changes and therefore they implement exploration-based sensing in growing proportions. They also perceive that they receive extensive amounts of information concerning future trends. But based on the interviews, many managers observe that the knowledge and understanding is not easily exercised in the decision-making. One manager expresses this concern as follows:

"Our problem is not that we wouldn't figure out. That we wouldn't know where the world is going, and we wouldn't understand our role in it. That we would be somehow lost, without a clue. That is not our problem. Our problem is that we are damn bad executors."
(SL 4)

The quotation refers to the organisational path dependency: The old logic dominates. Similarly, the familiarity with the loyal customers (representing the old "broadcast" culture) dominates and makes it difficult to make radical moves from broadcasting (older audiences) to digital internet (new younger audiences):

"If we have done something well and we are good at it, and it has become 'important' to people, so it is hard to finish doing it. And it does not concern only

us. It is also about the audience relationship that this traditional way of doing creates."

(EL 1)

Furthermore, the loyal audiences' and politicians' reactions may also inhibit the managers from making more radical explorative-based decisions:

"Perhaps the fear of that audiences would somehow protest (...) due to strong traditions. (...) Always when we make changes, they [older audiences] *wake up. And they really wake up loud. It is difficult, because you can see and hear it everywhere. (...) If we for example would suggest a change (...) that is really radical (...) The political forces would join (...) and the whole cultural segment and so on, would protest quite strongly."*

(SL 5)

Managers also perceive that especially the old loyal audiences have become more demanding after the tax-funding decision. This is an issue that adds to the difficulties of making radical moves:

"Now this tax-based fee is such that you can't get away from it. (...) The biggest change is that a tax that you can't get away from makes people more sensitive toward customer relationship with Yle than before (...) 'because this is ours, why don't you serve us the way we want'."

(EL 2)

Similarly, managers perceive that the socio-political discussion on what Yle is allowed to do effects decision-making. For example, the lobbying of private media to reduce Yle's role and position slows down the change:

"The brakes from the outside [to the change] *are caused by the expectations directed to Yle, and also the demands to restrict our operations, it is the outside pressure or questioning of what Yle should do and should not do."*

(EL 3)

Tensions Between Exploration-based and Exploitation-based Seizing Capacity

The preceding reflections relate closely to the third category of tensions, which is the tensions between exploration-based and exploitation-based seizing capacity. The barriers hindering genuine explorative-based decision-making lead to exploitation-based solutions. Here, we have to take a look deeper inside the organisation and detect organisational path dependencies, which maintain the old broadcast culture also in the decision-making:

> *"We have made the strategic decision that we allocate resources from broadcast to internet a long time ago. But because we don't have the guts to shut down anything in the broadcast side, we have nothing to reallocate."*
> *(SL 4)*

The dominance of exploitation-based seizing over exploration-based seizing is also deeply rooted in Yle's culture that managers often characterize as slow, rigid, bureaucratic and complex. The internal barriers are often regarded as even bigger barriers than those originating from outside (like politicians or rival private media):

> *"I see the internal barriers to the change as bigger* [than external]. *And they relate to (…) our difficulty of giving up many things that we have been doing for so long and which we regard as our core* [functions].*"*
> *(EL 3)*

> *"(…) at the same time as the company is talking about agility and flexibility it is just totally the other way round what we are doing in the practice (….) our problem is that we are focusing on building processes instead of on results."*
> *(SL 6)*

Furthermore, the competencies of the personnel are rooted in the broadcast era, i.e. radio and TV-journalism, and this creates barriers for the decision-making:

The core difficulty in developing skills and competencies is that our personnel are mainly radio makers and TV makers from their professional background and history. Now we have the web and social media and all these new distribution channels and new devices. How can the broadcast-makers be trained to web makers?"

(SL 7)

Importantly, the existing power structure is mentioned by some managers as a relevant barrier to radical decision-making:

"(…) we have our own emperors everywhere (…) Giving up power is hard for those who have been here for a long time and are used to getting their own way in their own areas of responsibility. It demands a lot from people to give up something for the common good and to make shared decisions. It requires a different mind-set from what we currently have in this company, I think this is not a very modern house at the moment."

(SL 1)

Conclusions and Discussion

In this article, we have dealt with ambidexterity (i.e. simultaneous exploration and exploitation) in the context of the media industry by analysing the strategic management behaviour of the Finnish Broadcasting Company, Yle. The goal of the article was to provide a theoretically sound capability-based approach to ambidexterity and based on that, empirically analyse what kinds of tensions ambidexterity creates between managerial operational and dynamic capabilities. The study applies Teece's (2007) model, which divides dynamic capabilities into sensing, seizing, and reconfiguring capacities of capabilities. Because the study focuses on strategic change management in which managers' ability to interpret and scan the changing business environment and to make decisions is of crucial importance (Danneels, 2015; Teece, 2007) the focus of our analysis was on managerial-level sensing and seizing capacities.

As shown in the literature of ambidexterity, managing change for short-term and long-term strategic targets creates inevitable tensions (e.g. Andriopoulos & Lewis, 2009; Andriopoulos & Lewis, 2010; Govindarajan & Trimble, 2010; O'Reilly & Tushman, 2004; Raisch,

Birkinshaw, Probst & Tushman 2009). To get a clear picture of the tensions faced by the top management, we created and used a four-field chart (Figure 1) that brings together both the "exploitation – exploration" activities and "sensing and seizing" capacities. In result, four different kinds of capability groups were created: exploitation-based sensing and seizing capacities that are used for enabling the existing business success, and exploration based sensing and seizing capacities that are for scanning and making decisions for the future business needs. The four categories formed a base to analyse the tensions related to ambidexterity. The four-field was applied in our empirical analysis concerning the interviews of strategy-level managers at the Finnish Broadcasting Company, Yle.

Figure 2 below illustrates the results of the analysis. The analysis managed to highlight three main tensions that could be clearly identified and validated from the interviews in our case study.

[Insert Figure 2 about here.]

Based on the analysis, the main tensions are:

(i) *The tensions between exploitative and explorative sensing capacity (the arrow 1 between fields C and A in Figure 2).* The former is based on path dependent operational capabilities, whereas the latter presupposes explorative dynamic capabilities. Managing ambidexterity successfully would require, however, that sensing capabilities would be deployed for both current and future targets simultaneously.

(ii) *The tensions between exploration-based sensing and exploration-based seizing capacity (the arrow 2 between fields A and B in Figure 2).* This relates to the issue of exercising the strategic options that have been sensed by means of investments in new technologies, capabilities, markets, or audiences. Due to various organizational rigidities and path dependencies as well as external pressures, management often faces difficulties to make brave or "right" (instead of path-dependent or traditional) investment decisions, even if they in principle recognize what they should do in relation to securing future success.

(iii) *The tensions between exploration-based and exploitation-based seizing capacity (the arrow 3 between fields B and D in Figure 2).* These tensions deal with the

difficulty of bypassing the old path-dependent operational capabilities when more radical investments building on explorative seizing capacities are needed.

By analysing our data we managed to demonstrate the three main tensions in the Finnish Broadcasting Company, Yle. As to the sensing activities, there seems to be an ongoing balancing between short-term exploitative sensing activities and long-term explorative sensing activities (between fields C and A in Figure 2). This is inherently linked to coping with two strategic frames, one representing the old familiar broadcasting culture and the other building on new digital, online culture. Even if the strategic focus is on the future customer needs, innovative content managers' attention is distracted by various current stakeholder issues related to politicians and the lobbying of private media. In addition, the large loyal audience groups that represent the traditional broadcast culture play an important role with their demands and expectations. The tax funding seems to put even extra pressure on the demands coming from old audiences and private media, also through politicians.

Even if the top management clearly recognises the need for renewal based on their ability to sense weak signals, there are several constraints that commonly hinder their attempts to seize the opportunities (tensions between fields A and B in Figure 2). The expectations and reactions of loyal customers and politicians and the lobbying of private media tend to make the managers more cautious as decision makers. Furthermore, managers bring forth the constraints that organizational path dependencies and learned established competencies impose on decision making. They exist also in the managerial behaviour. In result of these external and internal constraints, managers fall back to the old learned ways of making decisions (instead of field B dictated by field A, the managers move to field D in Figure 2). For the managerial work, this implies that special focus is needed for ensuring that the explorative sensing would lead to respective explorative seizing, even if the internal or external pressures would be pointing to the more exploitative solutions. In practice, this means managerial capabilities of managing the ambidextrous tensions between exploration and exploitation, realizing that exploration for the future may be hindered by the rigidities of the on-going exploitation.

Our theoretical framework supports a closer study of the sparsely studied idea put forward by Teece (2007). He states that it may be quite possible that in some organizations, there are effective sensing (seizing) capacities at the same time when seizing (sensing) capacities are lacking. In the case of Yle, our data shows that the managers may sense what ought to be done,

but may lack the capabilities or tools for seizing the opportunities in practice. In addition, our analysis demonstrates the difficulty of top management to reject path dependent operational capabilities and to focus more on dynamic capabilities that are deeply needed when facing rapidly changing and genuinely uncertain media environments. Because of internal organizational rigidities but also due to of external pressures originating e.g. in the actions of politicians/regulators, the top management is not always capable of abandoning the old "broadcasting" culture towards the new "internet" culture. Old dominant logic still seems to exist quite strongly.

The results of our analysis confirm the core idea of ambidexterity according to which managers have to constantly balance between exploitation and exploration, as well as handle the respective tensions (Andriopoulos & Lewis, 2009; March, 1991; Tushman & O'Reilly, 1996). Importantly, the capability-based approach to ambidexterity launched and applied in this study proved to be a useful frame to tackle the ambidextrous tensions between continuity and discontinuity more closely and in detail for deriving practical implications for media management. Because the capabilities are context bound, the tensions highlighted with the four-field chart (Figure 2) are also organization specific. Some firms may be more biased toward exploitation and some more toward exploration. For media managers, the capability-based approach to ambidexterity can be seen as a useful tool to discover and manage these organization specific tensions.

Word Count: 7491

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Figure captions

Figure 1. The four-field chart of a capability-based approach to ambidexterity.

Figure 2. The results of the analysis. Tensions based on the four-field chart of the capability-based approach to ambidexterity.