

Article

# Ambidexterity in a Rapidly Changing Environment of China: Top Management Team Decision Making and Sustained Performance

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**Abstract:** The market requires Internet companies to achieve unit ambidexterity to adapt to a rapidly changing market environment. Studies have discussed the background, behavior, and performance of corporate ambidexterity but have not focused on formulating ambidextrous decisions by the top management team. We implemented inductive multiple case studies by utilizing five Chinese Internet companies as subjects. Results show that if the senior managers consider the contingency between business and environment from the perspective of the entire industry to achieve goals, resource allocation, and co-evolution, and effectively coordinate the internal conflict of the decision-making process, then the company could attain sustained performance. The newly constructed theoretical framework emphasizes the role of contingency and strategy behavior, rather than deterministically interpreting the outcome based on the personal judgment of senior managers and the embeddedness of units.

**Keywords:** ambidexterity; top management team; decision making; Internet companies; sustained performance



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## 1. Introduction

Organizations evolve through incremental or evolutionary change punctuated by discontinuous or revolutionary change. They must, in other words, create an ambidextrous organization—one capable of simultaneously pursuing both incremental and discontinuous innovation. From the ambidextrous perspective of enterprise sustainable development strategies, enterprises need to constantly adapt to the external rapidly changing environment in order to meet future needs. In contrast, they simultaneously need to continue their existing business to ensure stable income [1]. Although both of these activities are necessary to the enterprise's short-term survival and long-term development, they follow different logic models, with contradictory statuses [2]. March initially proposed the concept of “exploitation of old certainties” and “exploration of new possibilities” in his research in 1991. Exploitation focuses on using existing knowledge to improve organization operations steadily and efficiently, while exploration includes the development of new business, technology, and innovative activities [2]. With the advancement in exploring the relationship of exploration and exploitation, many new relative research topics, such as organizational learning, technological innovation, organizational adaptation, strategic management, and organizational design, have emerged [3].

Duncan (1976) initially proposed the idea of ambidexterity [4]. Following researchers have argued about the differences in a firm's ability to engage in ambidextrous innovation

under different prerequisites and situations [5]. Turner and Lee-Kelley (2012) [6] summarized some concepts, including alignment and adaptability [7], control and response [8], innovation and efficiency [9], and incremental change and radical change [10].

Researchers have also highlighted the mechanism of increasing organization ambidexterity capability. Adler et al. (1999) observed that exploitation and exploration exist simultaneously in Toyota's product development and manufacturing process [11]. In the study of Katila and Ahuja (2002), the breadth and depth of exploration interacted with and positively affected product development [12]. Similarly, De Visser et al. (2010) [13] found that the ambidextrous organization contributed to the development process of new products. However, through a 12-year study on software companies, Venkatraman discovered that few companies could pursue exploration and exploitation simultaneously [14]. Scholars selected a large number of samples from different industries, such as Canadian new businesses [15] and Indian pharmaceutical companies [16], German high-tech start-up companies [17], and Spanish SMEs [18].

The development of information technology and network technology has created the Internet industry. The upgrading of competition for all kinds of resources behind Internet companies has indirectly intensified the competition within the industry sector. In the past several decades, many world-famous Internet companies have enrolled in highly intensive competition in the rapidly changing environment. Still, only a few have survived and dominated the industry. Due to the limited resources for staying and developing, it is nearly impossible for enterprises to simultaneously maintain a complete and high-intensity exploitative and exploratory innovation. We hereby developed a tentative argument that becoming involved in ambidextrous strategic decision-making activities can help Internet enterprises to master the ability to allocate resources and maintain sustainable, high-level performance in both types of innovation [5].

After investigating the literature regarding how companies effectively achieve organizational ambidexterity, we found that existing mainstream literature mainly offered five research perspectives: structure ambidexterity, contextual ambidexterity, punctuated equilibrium, domain ambidexterity, and top management team [7,10,19]. Besides, we were also concerned about ambidextrous innovations, which mainly referred to the ability to pursue and integrate exploratory and exploitative innovation simultaneously. The ambidextrous innovations process could conduct the long-term sustainable performance to ensure the long-term survival of an enterprise and enable organizations to satisfy current demands while remaining adaptable to future environmental changes [7,10].

However, existing theories are mainly based on general or abstract reasoning promoting the exploration ability of the organization, and there is a lack of research on potential mechanisms, such as organizational frameworks, behavioral mechanisms, and the role of leadership [20], which is not concentrated on integrating exploitation and exploration ability in practice [6]. To contribute to the growing literature of ambidextrous decision making, ambidextrous innovation, and the topic of "exploration and exploitation", we considered some aspects of such problems in the context of the decision-making process of the ambidextrous strategy of emerging economies [2] and measured ambidextrous decision making by high-performance and sustained performance [21]. In addition, our study also contributes to expanding existing theories to better accommodate the unique nature of the Internet industry by figuring out how Internet companies in emerging economies could achieve ambidextrous strategies over time.

Finally, by carrying out case studies of Chinese Internet companies maintaining sustainable development and acquiring sustained performance, we constructed a process theoretical framework to explain how to build high-performance, ambidextrous strategy combinations in the particular condition that every unit, team, and even every individual member of the organization should be acculturated to the external rapidly changing environment [5]. This framework consisted of three dimensions—goal changing, resource allocating, and co-evolution. All levels of the organization must achieve ambidextrous capacity. The theoretical framework sharply contrasted with the theory that combines

social network theory and resource-based theory. A key finding was that the experienced management and decision-making of the senior management team, particularly the corporate CEO, which was based on the industry perspective and used in the strategic vision, would contribute to the formation of high and sustained performance of ambidexterity strategy combinations [4]. The enterprises with complete knowledge of the industry could develop an understanding of multiple synchronous relationships, rather than a single relationship of a single series, to increase the value of the potential business combination and to achieve synergy among diverse relationships [2]. Most importantly, we explored how the ambidextrous strategy was rooted in the mix of strategic options for the external environment and market opportunities made by senior managers.

## 2. Theoretical Background

Duncan (1976) first proposed the concept of organization ambidexterity. Still, the landmark article of March (1991) offered two different organization abilities, namely exploration and exploitation, and the two abilities—punctuated equilibrium or trade off—are still debated [2,4,22].

The literature for our study provided insights into the problem. First, the literature on the balance mechanism between exploration and exploitation asserted that a company has five trade-off mechanisms. In early studies, exploration and exploitation were considered mutually exclusive, and competing for limited resources was such that organizations could not simultaneously achieve both activities [23]. After the organization realized the exploit (explore) action, the explore (exploit) activity was implemented to achieve punctuated equilibrium [19]. Meanwhile, other scholars had proposed establishing different organizational structures to address additional requirements [10]. When the management team integrated different designs, an ambidextrous organization was created [6], as these structures are opposite. By contrast, Gibson and Birkinshaw (2004) proposed an alternative view—contextual ambidexterity [7]. Within a business unit, abilities of alignment and adaptability exist, which achieve organizational ambidexterity through the organizational context of soft and hard factors. In accordance to mentioned above, the relationship between exploration and exploitation is no longer regarded as two poles but are orthogonality [12].

Second, scholars have studied the role of a top management team in organization ambidexterity [21,24,25]. They believed in the crucial role of top management teams in the management activities of the organization. The ways to adapt to future organizational changes are closely related to the characteristics of the senior management team, team preferences, and strategic decision-making. From a dynamic capability perspective, Smith (2006) proposed that a top management team could effectively balance the organizational ambidextrous ability between exploiting the existing resources and exploring the unknown field [25]. Jansen and Volberda (2008) examined the senior management team and leadership and pointed out that the cognition and consensus of the senior management team contribute to ambidexterity [26].

Third, scholars have studied organizational ambidexterity capability from the organization, department, and even individual levels. He and Wong (2004) considered exploration and exploitation to be the pursuit of different structures, processes, strategies, capabilities, and cultures, and either one could affect organizational performance and adaptability differently [27]. Previous studies have focused on the theoretical level, while few studies have focused on implementing exploration and exploitation in practice with theoretical and empirical research. Tushman (2011) studied the prominent role of a top management team for organizational ambidexterity and proposed that what is needed is the concern on the micro-mechanism of ambidexterity, such as how managers implement and operate ambidextrous strategies [28]. Turner and his colleagues studied organizations to create mechanisms of exploration and exploitation. Accordingly, the attention has shifted from the organizational level to the agent process and has marked the research into a new stage of ambidexterity research [6]. In addition, Kang and Snell (2009) constructed a framework of organizational ambidexterity with the concept of intellectual capital (IC) [29]. They

pointed out that organizational knowledge includes three parts, namely the human, social, and organizational capitals involved in different activities. This study follows Reus et al. (2009) and Turner and Lee-Kelley (2012) to explore further IC research [6,30].

We agreed with this trend, but we had our own different views. We found that, in addition to the top management team achieving organizational ambidexterity, another level of organization, such as a business unit, is a significant mover. Thus, business units would have to adapt to the changing environment, and companies must respond by renewing organizational resources and capabilities and implementing changes in the product [31].

In summary, because the organization that functions under the top management team will achieve sustained performance, such as changes in the organization objectives, coordination and balance of internal resources and reactions to the environment will become possible. These practices will result in organizational ambidexterity and adaptation to changes in the external environment.

In addition, Teece et al. (1997) emphasized the appropriate adjustment, integration, and the reconstruction of the internal and external organizational skills, resources, and functional ability that match the environment [32]. Eisenhardt and Martin (2000) considered how the enterprise utilizes resources, especially in acquisition, integration, resetting, and releasing resources [33]. The firm makes a new resource configuration during organizational inertia to meet the market change. Therefore, we expected that in the rapidly changing environment, it is possible for Chinese companies to achieve sustained performance through an ambidextrous strategy decision-making process.

### 3. Research Methods

Given the lack of related theory on high-performance ambidexterity strategies of organizations, we use an inductive, multiple-case-study approach [34]. The inductive study aims at a field that the existing theory cannot illustrate fully and thus, expands current theory. The purpose of using multiple cases is for repeated verification. We will use each case to verify the views emerging in this study. The effectiveness of a multi-case study is the comparison with collected data, and a multiple-case-study approach allows theory and data to be linked closely. The theory-forming process is grounded in data [35,36], and thus, the theory proposed is more accurate and general than one based on a single case [37,38].

Our research in the context of the Internet industry of China considers certain aspects. China is the world's largest emerging economy, and its Internet industry has been very quickly developing for decades. Due to the mismatch between market scale growth and management capacity growth, the management problems are particularly prominent in China's Internet industry. Third, in the Internet business, due to fierce competition, the ambidextrous strategy has an important strategic position and popularity [39].

The study focuses on five Internet companies with ambidextrous experiences and ideas as Table 1 shows. Some of these companies are successful, such as Sina, NetEase, and Baidu, whereas others fail, such as Xiaonei. Still, some companies keep thinking of various reasons but have yet to implement an ambidextrous strategy, such as 51.com. We visited many experts and investigated many Internet companies that included well-known websites, electronic business companies, instant messaging companies, etc. After careful consideration, we chose five representative cases. This study examined the various affecting factors of these companies on ambidexterity decision-making, including the impact of industry environment and leadership within the company. We reviewed the history of each company and their units, and we linked the events surrounding the ambidexterity decision making, behavior, and the past. We interviewed the working staff of the companies and sent questionnaires for investigation. Of these five companies, three were success while other two were failed; we realized the long-term strategic decision-making process and the results through retrospective data.

**Table 1.** Case company profile.

Company	Sina	Baidu	NetEase	Xiaonei	51.com
Company information	One of China's four major web portals (the other three are SOHU, NetEase, and Tencent)	The world's largest Chinese search engine company	Well-known web portals and online game company	SNS (Social Networking Site)	SNS (Social Networking Site)
Industry	Web portals	Search engine	Web portals	SNS	SNS
Creation year	1998	2000	1997	2005	2005
Operating income (billion CNY)	33.06	223.06	84	Unrealized profit (before acquisition)	Edge of profit and loss
Business units	Web portals and Weibo	Developing search-based, multi-service business	Online games, wireless value-added services, portals	SNS business	SNS business
CEO	Guowei Cao	Yanhong Li	Lei Ding	Xing Wang (before acquisition)	Shengdong Pang
Whether ambidextrous strategy	Yes Weibo	Yes Develop community search	Yes Online game business	No Maintain the status quo	Yes SNS and online game
Ambidexterity performance	Success (after the launch of Weibo, Sina's revenue continued to grow, Weibo services are profitable and growing)	Success (community search as an important supplement for web search, Baidu consolidate its market position)	Success (create a new model that web portals do online game business, NetEase back to life)	Failure (renamed RenRen, the management team leave the company)	Failure (cause: the company's business strategy is not clear, leading to no core business, executives and employees have left)
Decision-making process	CEO Cao finally decided to develop SNS; after repeated tests and improvements, Cao only retained the Weibo project. However, at that point, no one knew what the market needs were of Weibo. Based on their own experiences, they modified Twitter designs and created two functions—comments and transponders.	In Baidu, internal brainstorming gathered similar keywords. The proposal was supported by Jun Yu, product manager, and CEO Robin Li. So, the Baidu management team created the “Baidu Post Bar” and other community search products.	In the Internet business, in a downturn, CEO Ding Lei noticed online games. The idea was not as optimistic about the internal and external parties; Ding insisted that “in sleep can make money is the game.” Under Ding's insistence, NetEase made a successful transition.	Wang believed that the first important thing in early time was to win the hits—they did not try to develop specialty businesses. With the whole team's efforts, clicks were rising. However, as the nature of the site changed, Xiaonei lost its competitive advantage and was eventually acquired.	Many executives came from other companies. Many organizations invested in 51.com in the early stages, including the Giant Group. After maintaining a development momentum for a while, 51.com turned to online games, but gained no results, leading to its business setback.

The Chinese Internet research context we selected has three features. During the start-up period, Internet companies mainly rely on the capacity of the founders or co-partners. We also knew that corporate culture is often regarded as a solid personal brand. Besides, the founders of these enterprises usually significantly influenced corporate culture development. Based on what was mentioned above, we recognize the critical role of the top management team in the ambidextrous decision-making strategy of the organization. In addition, this emerging industry has its characteristics. As a dynamic and competitive industry, innovation is one of the Internet industry's main features, which allows fast-growing companies to beat slow-growing companies. This practice runs counter to the traditional sense, where the big company takes over the small company. Another feature is about the age of leadership team members and staff. Most companies in this industry are young. The leadership team and staff as the main body comprise primarily young people. The young members are not easily bound by discipline and hierarchy in the dynamic and creative team.

We used several methods to avoid potential biases of respondents. First of all, we interviewed respondents at multiple levels and in different company sectors [40]. We designed and spread an open questionnaire to respondents who held large amounts of information focused on the important events, limiting the errors on the recall and improving accuracy [41,42]. Lastly, we applied triangulation verification on the data and files provided by respondents [43]. We visited the sites anonymously for better data reliability and precision, and we also encouraged the company to be honest.



#### 4. Data Sources

In Table 2, we used several data sources to collect data, such as personal interactions, email and telephone interviews, and archived data. Multi-source data triangulation verification could provide more accurate information and more robust theoretical results [40]. The primary data source was the semi-structured interviews we conducted within six months. We interviewed employees within three levels—executives, managers of old and new business units, and staff directly involved in the business—and at least two personnel outside the company. At last, 10 to 15 interviewees were identified in each unit.

**Table 2.** The Data source of five companies.

Company	Sina	Baidu	NetEase	Xiaonei	51.com
Database	Interviews, file data, internal material of the company	Interviews, file data, internal material of the company	Interviews, file data, internal material of the company	Interviews, file data, internal material of the company	Interviews, file data, internal material of the company
Interview number	13	11	15	12	10
Internal persons being investigated	General manager, Manager of Executive Functions, staff	Deputy General Manager, Product Director, Director of Human Resources, staff	CEO, Senior Vice President, Online game business unit executives, staff	General Manager, Manager of Executive Functions, staff	General manager, Manager of Executive Functions, staff
External persons being investigated	Industry experts, competitors, former company employees, partners	Industry experts, partners	Industry experts, competitors, former company employees	Industry experts, competitors, former company employees	Industry experts, Former company employees

For the initial interviews with the executives of each company, we used a semi-structured questionnaire. At the beginning of the interviews, we asked the executives to describe the company's development strategy and its position within the industry. Then we let them describe the key factors affecting differentiating competencies and ambidextrous strategy. They described the major competitors and estimated the performance gap between rivals and their own company. We asked the executives to confirm two or three successful ambidexterity decisions, and we chose one decision for our in-depth study. The selected ambidextrous decisions must have the following characteristics:

1. They must involve the strategic positioning of the company.
2. They must have significant stakes.
3. They must cover broad ground.
4. They must design various functional departments of the company as extensively as possible.
5. They must represent the critical decision-making process of a company.

#### 5. Data Analysis

Like typical inductive studies, our first step in analyzing the data involved constructing each case based on comprehensive interview transcripts and archival data [34]. We followed a triangulation among prerequisite theory framework, addressing interviews and archived file data, which provided a richer and more reliable interpretation for the research themes [43]. Next, as a case of completed preliminary inspection of the story, another researcher read the original interview data and formed an independent opinion. These views were integrated into each case to obtain a comprehensive view of each company. Finally, we built separate databases for each case combined with different levels of interviews.

After integrating these interviews and second-hand data, we conducted a case study for every enterprise. In this process, we compared an essential feature of the data in each case. While we observed the similarities and differences between the cases to maintain the independence of replication logic, we left the deep comparative analysis after all the single case preparations were completed. The case study lasted five months or so.

According to the cross-case analysis proposed by Miles and Huberman (1984) and Eisenhardt (1989), a conceptual framework was formed to illustrate these cases [34,44]. Initially, we compared the case to identify a common dilemma, and to extract the unique aspects of each case. We created a table to aid in the comparison and contrast of each case, which allowed us to easily form new theoretical constructs and logic. For each repeated comparison, we re-paired and refined each case. During the analysis, we paused several times to regroup. With the commencement of the analysis, the level of abstraction increased. For every new idea proposed, we reviewed the case again when needed, or revisited some individuals to confirm our ideas.

## 6. Ambidextrous Decisions of Company Unit

### 6.1. Linking Ambidextrous Decision Making with an Enterprise's Sustained Performance

In corporate strategy combination, management scholars have always believed that ambidextrous activities will enhance corporate performance for a long time [10,23,27]. Some scholars have studied ambidexterity in alliance formation and found that corporations have to comply with basic laws when involved in ambidextrous activities; for example, considering resources, the external environment, and network environments of enterprises to make a judgment, whether in exploration and exploitation or in both simultaneously [45].

To further expand the analysis of this issue, this study accessed the company's ambidextrous performance based on market performance indicators, such as sales growth rate, before and after the ambidextrous decisions, market evaluation, profit figures, and so on. In decision making, we evaluated whether the top management team supported the ambidextrous decision or not, and we assessed the situation before and after the ambidextrous decisions. Table 3 summarizes the relevant data of the five enterprises.

**Table 3.** Performance comparison before and after the ambidextrous strategic decisions.

Company	Decision and Performance	Ambidextrous Decision Making	Performance before Decision Making	Performance after Decision Making
Sina	Sina Weibo has become a star product, also known as the "golden straw of Sina". (Sina CEO)	Weibo business	Sina's financial performance was good, because a multi-profit model has not become a priority. However, this problem became urgent after 2009.	After launch of Weibo, Sina's revenue continued to grow, Weibo services are profitable and growing. The total revenues of Sina Q2 2013 grew by 19.7% over Q1. Commercialization of Weibo started to bring tangible benefits.
Baidu	Baidu Post Bar has become the second-largest business after the Baidu web search. To reaffirm their position, Baidu launched "Baidu Knows" and "Baidu Encyclopedia".	Online communication platform business	In 2003, iResearch conducted "the most frequently used search engine users' survey"; the data show that Baidu is the most frequently used search engine among users, accounting for 48.2% of the market share.	Using their own search technology and market advantages, Baidu developed a search for community products, which not only enriched the Baidu search content, but also increased search traffic, consolidating Baidu's advantage. Baidu's search click rate has been high. Baidu Post Bar has also become the largest search clicks product.

Table 3. Cont.

Company	Decision and Performance	Ambidextrous Decision Making	Performance before Decision Making	Performance after Decision Making
NetEase	“As an entrepreneur, it is very important to you to have your own ideas” (NetEase CEO). NetEase became the precedent of the online game, leading to a trend.	Online game	Since the advent of the Dot-com Bubble and the financial accounts listed, NetEase did not integrate with the international network, and NetEase was suspended. Later, though they resumed business, the company was still under downward pressure.	NetEase mainly ran two businesses: NetEase game and web portals, the former one was in absolute proportion with annual revenues. In turn, NetEase has revised its business model and won a series of praise while reentering the ranks of China’s leading web portals. NetEase operated outside of the traditional profit model. They must adhere to business development to gain back the confidence of investors.
Xiaonei	“Even if the intention of Xiaonei CEO insisted on entrepreneurship, it also appears to be powerless. Additionally, management failed to develop innovative strategies, only followed a single profit model, and could not respond to changing market, leading to the enterprise’s failure as an end” (Renren company CEO).	No ambidextrous strategy	Site has attracted more than thirty thousand users since it appeared over three months, and is developing rapidly. Xing Wang believes that when a web site received 10 million or less clicks, it must improve PV, and not spend money to sell advertising.	Xing Wang was in a terrible financial situation. Xiaonei was unavoidably acquired and renamed Renren. He and other management team members resigned and left Xiaonei.
51.com	“Senior team momentum is considerable, but unfortunately stamina not enough, direction nor spotted” (former CMO). “A waste of time and resources experienced development bottleneck” (Marketing Director).	Diversified businesses and focused on social and online games	51.com receive nearly USD 76 million of strategic investment and corporate finance, becoming one of the largest Chinese Internet companies. However, a large amount of assigned capital weakened the founder’s rights. Management had higher requirement on their performance indicators and let them began to focus on business expansion.	The management tried their best to ensure the platform’s development. Later, the management started some unsuccessful businesses, like online games with a meager income. Unfortunately, their original business, SNS business, was frustrated as well. As a result, management bottlenecks appeared in 51.com, managers were leaving continuously, and the company’s operational situation was not ideal.

The data supported the link between dual decision-making and high performance. Admittedly, our evidence is insufficient because many factors affect performance. For instance, Uotila et al. (2009) focused on ambidexterity of the S&P 500 listed companies and considered how the balance or tradeoffs could be maintained between exploration and exploitation, according to the environment [46]. Tushman (2011) studied 15 companies in different industries and found that structure separation and ambidextrous leadership are granted to organization ambidexterity [28]. Moreover, the application of these different cases of ambidextrous decisions may lead to different results. For example, an impulsive CEO who makes an ambidextrous decision with unclear goals may have fatal consequences.



However, we assume this because the noticeable performance difference and the survey data strongly suggest the inherent relationship. For example, Sina's performance has been very prominent, indicated by the high number of website clicks and rapidly increasing page views that directly contribute to advertising revenue. Advertising revenue is a significant income source for Sina. After the depression period of the Internet, some Internet companies expanded their business scope. For instance, Tencent occupied the instant messaging market with QQ, and NetEase turned to online gaming to change their income structure, but only Sina continued to rely on integrating information. To change the single-revenue model, Sina entered the field of SNS by developing Weibo, which aimed to imitate Twitter. This decision was not optimistic and was widely questioned inside and outside the company. Although Weibo did not bring significant benefits to the company at the beginning and even affected the financial performance of Sina one year later, Sina still did not give up on promoting Weibo. With the wide use of Weibo, advertising and value-added services have begun to achieve profitability. The commercialization of Weibo is doing well, and Weibo has become an actual example of a business changing its income model.

By contrast, Xiaonei is the predecessor of the well-known SNS website RenRen. Xiaonei is the Chinese IT people invented to imitate the famous American social networking site, Facebook. Xiaonei had more than 500,000 registrations during the early periods through 700 colleges and universities. At that time, the strategic problem was whether the company needed to find a new profit model. Xing Wang, the founder of Xiaonei, believed there would be more advertising revenue if the website had more clicks. So raising clicks numbers and user registration numbers monotonically became Xiaonei's strategic goal at that time. In the beginning, Xiaonei was developing very quickly, and the increasing enrollment and income concealed many potential issues of this profit model. Besides, Wang was not good at dealing with investors from the capital market that laid the groundwork for funding. Without adequate funding, Xiaonei could not expand its size and upgrade the servers to contain more and more users and clicks. As an unsuccessful exploration, the school network business of Xiaonei could not provide profitability, which led the management to fall into panic. After a few years of this, when more and more homogeneous enterprises appeared, Xiaonei was not competitive anymore and finally abandoned by its users.

Could unclear ambidextrous decision-making be the existing problem? For example, 51.com is one of China's leading SNS social networking sites, similar to the Kaixin and RenRen websites, which all imitate the Facebook model. The 51.com SNS was once a star enterprise, and the staff number reached 400, which made it a large-scale enterprise. Initially, 51.com pursued user registration and click rate, and the revenue looked optimistic. The number of users continued rising, advertising revenue reached tens of millions throughout the year, and 51.com obtained nearly USD 76 million in financing because of the management team's effort. 51.com began to expand blindly and focus on social networking and online games to achieve faster growth. One idea was to start developing the platform by introducing a third party, such that the ecological chain extended. One employee said, "This plan is high cost, but we decided to give up." After that, the company decided to enter the online gaming industry and invested resources and effort. According to an insider, "momentum was tremendous, but unfortunately, the stamina was not enough, nor was the spotted direction". Although the company has developed community games, the income was uncertain and fell short of the desired results.

By contrast, a company with good performance must implement an ambidextrous strategy with clear goals. In April 2001, NetEase merged with a game company, Guangzhou Tianxia, at the price of USD 300,000, took advantage of the technical backbone of R&D games and created an elite team for games. Towards the end of 2001, NetEase successfully launched their first online game, "Westward Journey", and received a good response in the market. Facing the pressure of survival, Ding—out of the traditional profit model—adhered to developing a business and won investors' trust. So far, the game accounts for a significant proportion of its income, and NetEase is making web portals again and winning praises. Consequently, NetEase has returned to the ranks of China's leading portals.

**Proposition 1.** *Compared with a series of single business enterprises, by advocating and implementing ambidextrous strategy, the company's strategic objective more clearly articulates leads (a) to establish a high-performance business combination and (b) to achieve sustained performance.*

## 6.2. Unit Ambidexterity, Top Management Team, and Ambidextrous Decision Making

A top management team (TMT) comprises senior managers who are mainly responsible for strategic decision-making in an organization. It is the core group that determines organizational development and affects organizational performance. Hambrick and Mason (1984) first proposed the “upper echelons theory”, after which scholars started paying attention to disparities within the team and did not reach a consensus on the homogeneity or heterogeneity problem [47–50]. Tushman and O'Reilly (1997) considered that a dual nature was primarily driven by the internal processes of a TMT, where they can grasp information and alternatives to deal with conflict and ambiguity [51]. Smith and Tushman (2005) recommended that team members focus on their TMT work [25]. Separation of roles gives team members clear responsibilities and objectives, motivating managers to achieve organizational ambidexterity. Lubatkin (2006) examined how SME enterprises contribute to organizational ambidexterity based on the upper echelons theory. Smith (2006), from the dynamic capability perspective, proposed that a TMT could balance the ability to explore an unknown field with exploiting existing resources [52]. Carmeli and Halevi (2009) considered that a TMT plays an essential role in the design mechanisms of ambidexterity [53]. With further research, we found that organizational ambidexterity involved leadership. When ambidexterity and leadership theories are combined, the top management team can offset the tension brought by internal resource allocation [54].

The TMT often experiences divergence in decision-making processes, and the source of divergence is mainly the conflict between exploration and exploitation. The theory of “leading ambidextrously”, developed by Michael L. Tushman, could resolve such divergence to some extent [28]. In line with this theory, organizations could achieve an ambidextrous structure through the establishment of independent units, in which one part takes charge of exploitation while the other takes charge of exploration. A top management team integrates these two capabilities [55]. These arguments have deep-seated assumptions, such as the top management team being the critical factor of the company, to achieve ambidextrous capabilities.

Table 4 summarizes the evidence for the positive role of the top management team, especially the CEO, in making ambidextrous decisions. We estimated the overall decision-making process from the interviews, archives, and plot data. According to previous studies, we used key questions of every decision, the decision of the final drive, the evaluation of internal and external decision making, and the results of the decisions to measure the role of the top management team in the process of decision making [21,51].

We summarize the cases of these enterprises in Table 5. From the interview results, we were able to assess conflict resolution strategies used by the companies and the methods they applied in decision-making. We focused on whether the problem-solving process was positive or passive. We observed that the decision makers resolved the problem independently when the issue could be resolved positively based on the case data. Alternatively, they extended the deadline for solving conflict. When some management members left, the enterprise performance declined sharply.

**Proposition 2.** *In establishing a high-performance business combination, the ambidextrous decision-making of the top management team, especially the CEO, is the critical factor for the company to achieve ambidextrous capabilities.*

**Table 4.** The process of making ambidextrous strategy decisions.

Company	Sample	Ambidextrous Decision	Who Made the Decision?	Opinions of the TMT/CEO	Results of Decision
Sina	Most employees said: “He is shy, but his working ability is definitely outstanding”. The CEO showed an uncompromising style in work and would make many decisions independently.	Weibo business	Guowei Cao (CEO)	In the report of Sina MBO, provided by Morgan Stanley, Guowei Cao was called “one of the most talented, comprehensive ability CEO in China Internet industry”.	Success
Baidu	In Baidu, no matter the question, even Li Yanhong’s opinion is simply “his standpoint”, rather than the opinion of the leadership team.	Online communication platform business	Yanhong Li (CEO) and top management teams	Everyone said that Yanhong Li is calm, steady, and modest: “If I sent an e-mail at 1:30, the e-mail was replied next morning” (A former marketing director of Baidu).	Success
NetEase	The CEO has a powerful voice, and the senior management team has authority and cannot be questioned. NetEase’s internal staff is divided into eight levels. A grading system is implemented, and different people have different responsibilities. The CEO can influence and even dominate all decisions.	Online game	Lei Ding (CEO)	Ding was a clever child and received a good education. His primary impression was characterized by “struggle” because he has ideas and is always thinking of changes and improvements that can be made.	Success
Xiaonei	In the interview, Wang regarded himself as “patient, gentle”, and able to listen to others’ opinions. The team’s opinion is harmonious with this.	No decision made—maintain the status quo.	Xing Wang (CEO) and top management teams	According to some people, Xing Wang is a professional IT specialist, but not a good manager after Xiaonei was acquired. He talked about IT very professionally but has a communication problem with investors: “Once he communicated with investors, incredibly forgot to bring project plan”(industry source).	Failure
51.com	Executives have a successful background, and it isn’t easy to agree with each other in meetings.	Diversified businesses, focusing on social networks and online games.	Top management teams	“He likes staff who has an entrepreneurial spirit, but he is not arbitrary, and always encourage others to start a business, can listen to others seriously” (former vice president).	Failure

**Table 5.** Conflict resolution of ambidextrous strategy decision-making process.

Company	Divergence in Strategies and Management	Positive/Negative	Explanation on the Sample	Results
Sina	The ambidextrous strategy for Sina was to change its single-profit pattern into a multiple-profit pattern. In 2006, the retired former CEO of Sina said: “It is a pity that Sina did not find a multiple profit pattern”.	Positive: According to the evidence from a number of individuals, decision has been strongly supported by interviewees.	The CEO had a great influence on the decision-making process by firmly supporting the development and operation of some ambidextrous-strategy-based projects. Being regarded as “Weibo building hero” (vice president of product), he guaranteed the development of Weibo and made Weibo an Internet development platform.	Chao Guowei (present Sina CEO) thought Weibo had become a promising starting product, and he himself was known as “the gold straw of Sina”.
Baidu	The ambidextrous decision was whether Baidu shifted the search engine to a community search engine or not.	Positive: Differently from Sina, Baidu had a more free and relaxed working atmosphere. The CEO did not have absolute power in the company, and the staff have great autonomy.	In a brainstorming meeting of Baidu, some people wondered: “in Baidu’s huge network traffic every day, the keywords searched by the users are similar or identical, is there some connection in it?” At that time, Jun Yu, the product manager, also recognized this, and he asked: if these same users were put together, would they contribute more information? Yanhong Li supported this idea.	Result: They developed an online communication platform based on current search engine technology. The management team’s opinions were unified, successfully launching Baidu Post Bar.
NetEase	The ambidextrous strategy is: what is our new business strategy?	Positive: After rapid development of the Internet industry, the depression period came. In this profit pattern, the share of personal income declined, so Ding decided to develop an online game market.	Faced with this decision, employees had low confidence in it, and many media platforms and professionals criticized the decision. However, Ding was headstrong—he said: “As an entrepreneur, I should have my own ideas”.	The online game revenues accounted for the absolute proportion of the total income. In turn, NetEase made a web portal, and the web was revised again, winning a series of praise. NetEase has made it back to the ranks of leading portals in China.
Xiaonei	The ambidextrous strategy is: could the company find a new profit pattern?	Negative: In the beginning, Xiaonei developed quickly, enrollments were increasing, and Wang did not worry about the profit model; thus, he did not think about how to innovate. Someone proposed that a new business should be developed, but their suggestion was ignored.	Xiaonei did not gain profits, and management members had no confidence. Even when the acquisition plan was received, some management members did not reach a consensus. Wang (CEO) had also hesitated but finally agreed to be acquired.	Xiaonei was renamed RenRen, and Wang and other management members left from Xiaonei.
51.com	The ambidextrous strategy is: should 51.com develop a new business?	Negative: Most management members are the industry elite; it is hard to agree when they discuss issues. The strategy could not be firmly formulated and implemented, and some people are skeptical.	“He likes the employee who has entrepreneurial spirit” (Vice President). However, he is not arbitrary, and he encourages others to start a new business and listen to others seriously. The executives have successful backgrounds, so it isn’t easy to reach a consensus at the meetings.	The income of the company declined, and 51.com is regarded as a failure case.

### 6.3. Rapidly Changing Environment: Resource Allocation, Target Changes, and Co-Evolution

Previous research on ambidextrous design has always involved organizational separation [55], contextual ambidexterity (no break) [7], domain separation [39], and a top management team [28,55]. In line with the analysis mentioned above, we recognized the role of the top management team in achieving ambidexterity. However, when top management teams faced a continuously changing environment, some could implement

ambidextrous strategy decision-making and help the enterprise sustain development and performance, while others could not.

We developed an argument that only having an experienced top management team is not enough, even though it is a critical factor in achieving ambidexterity. In addition to a top management team, a firm has to obtain ambidextrous capability at other levels. A top management team contributes to balancing resource allocation and establishing the integrated mechanism of exploration and exploitation [25,26]. However, this situation could have coordination problems. Whether punctuated equilibrium or structural separation is present, coordination problems exist, and the integration and coordination of exploratory and exploitive units are necessary steps in achieving ambidexterity [10,39].

The data we investigated indicated that successful ambidextrous strategy decision-making achieves contingency effects, which include three aspects—target changes, resources allocation, and co-evolution. Under the leadership of a top management team, an organization has to adapt its competitiveness and target changes to suit the changing environment.

Analyzing the cases above, we can see that Sina focused on building portals and developing SNS business. The designing of Weibo as a start-up product changed the SNS market. Obviously, Sina focused on short-term performance and concentrated on a long-term strategy. The top management team popularized Weibo, although the profit model is unclear. This move reflected management's strategic vision and showed that Sina's strategy target is changing alongside the development of the business. We call this strategy of balancing short-term and long-term performance "co-orientation", an aspect of ambidextrous strategy.

Baidu took advantage of its technology and transferred the search engine into a community search engine. Hence, community search could be regarded as the exploitative innovation of Baidu, as it not only met the user's needs of interaction but also enriched the search results. Community search gained great success and strengthened the market share of Baidu. Baidu combined exploratory with exploitative activities gained a competitive advantage when the two coordinated. Meanwhile, the leader discovered people and matched them to relevant posts, which allowed professionals to conduct their expertise and finally guaranteed successful community search. Baidu realized strategy transformation and coped with the coordination problem effectively based on the original strategy. This example is known as "co-ordination", an aspect of ambidextrous strategy.

NetEase changed from a portal to an online game operator. The company is a model of exploration innovation because it dared to be the first to help the company get over the hump. During a difficult time, NetEase exerted great effort in online game development rather than retaining portal systems. So far, online games and portals are the main businesses of NetEase. The transformation, linked with Ding's persistence, eventually created the miracle of the Internet. The case of NetEase illustrated the decisive role of top management, particularly the founder and the CEO. It demonstrated how to realize co-evolution with the environment and retain a competitive advantage for the company's survival.

In addition to the three dimensions of the company, other dimensions are essential. For example, Sina realized the shortcomings of a single-profit pattern and conducted initiatives to develop the SNS market to meet the environment's requirements. Baidu transferred into community search in the web 2.0 eras. These two cases reflected the co-evolution dimension. Sina focused on Weibo but did not neglect the portal. NetEase succeeded in online games, ventured into portals, and achieved success. The companies coping well with the old and new businesses reflected the co-ordination dimension. However, a company with a "co" dimension will lead to unclear targets, with poor management, characterized by failed decisions. Because the top management team is responsible for strategic affairs and is the core of the organization, the role of the top management team cannot be ignored.

The case of Xiaonei showed that having only a top management team is not a guarantee of success. In the beginning, Xiaonei developed well, but it did not grow stronger or develop a competitive advantage. Even faced with the acquisition, management still disagreed. This case addresses the importance for the organization to have several dimensions of the



dynamic capabilities theory as an essential characteristic of an ambidextrous organization. The case also indicates the importance of having other dimensions. Management should have excellent views and capabilities.

In the case of 51.com, the organization tried to develop ambidextrous strategy targets, gain multi-capabilities, and enhance its competitiveness. However, without an effective and intelligent top management team, the company could not formulate the right target market or achieve market positioning. Thus, the company could not be led the right way. Even when one or two ambidextrous dimensions were achieved, the company could not succeed. While 51.com developed the SNS and an online game simultaneously, the company intended to adapt to the environment to reflect the “co-orientation” and “co-ordination” dimensions. However, the company failed due to the unclear strategy target and marketing positioning. This failure showed that the organization could not pursue only the “co” dimension and highlighted the importance of a top management team.

Table 6 summarizes how the five sample companies coordinated the business unit, resources, and strategy. Overall, no logic can dominate the ambidextrous strategy decision-making process. While the decision on the following procedure depends on the comparison of the business, the comparison raises the following questions. The first issue deals with inaccuracy. A company needs to consider the tacit knowledge of each business direction, which makes accurate measurements difficult. The second issue acknowledges that collecting information and investigation is time-consuming. Often, while conducting studies, the market undergoes fast changes. Overall, as the modular restructuring of targets occurs, resource allocation and co-evolution of dynamic capabilities could create new ways of producing new resources. The simple rules corresponding to the economic and social logic have a significant impact on these capabilities.

**Proposition 3.** *In the rapidly changing environment of China, ambidextrous strategy decision-making needs the top management team to co-evolve with the business unit, resource allocation, strategic decision making, and external environment.*

**Table 6.** The company must adapt rapidly to the external environment.

Company	Background of Strategy	Coordination between Business Units	Rational Allocation of Corporate Resources	Strategy Decision	Strategic Category
Sina	Twitter appeared in the US in 2009. Some people that the company intended to create a Chinese version of Twitter. Others think that this comparison is meaningless. Due to the criticism of the single-profit pattern, the management tended to support the approach.	After the Weibo business succeeded, Sina integrated and expanded the original product group and recomposed the Sina Weibo group. Later, Sina divided the main business into a portal and Weibo.	Weibo continued to gain attention and support. The group unceasingly expanded, and resources were also increasing. The portal was relatively mature, and Weibo had broad prospects.	Change the single-profit pattern; develop the SNS market.	Exploration
Baidu	In 2003, iResearch conducted “the most frequently search engine of users” survey. The data showed that Baidu ranked first, accounting for 48.2%—indicating that Baidu’s strategic transformation to a search engine satisfied end-users. How would Baidu continue to dominate the market and maintain its development?	Baidu’s search engine business was the basis for the community search, such as Baidu’s Post Bar. In turn, these services enhanced the search business.	The company attached great importance to Post Bar, the R&D was supported by the management, and Li personally announced when the came product online.	Transition from single search engine to interactive community search.	Exploitation

Table 6. Cont.

Company	Background of Strategy	Coordination between Business Units	Rational Allocation of Corporate Resources	Strategy Decision	Strategic Category
NetEase	In 2000, during the bursting of the Dot-com Bubble, many Internet companies failed or persisted with difficulty. The CEO, Ding, wondered what kind of business could save the company.	The online game achieved great success, replacing portal revenue, and became the company's primary product. After that, NetEase continued its portal, winning good praise.	NetEase refocused their portal business, and the website of NetEase underwent improvements, with the email upgraded and the volume expanded.	Changed web portal into online game operator.	Exploration
Xiaonei	Wang found that the real name SNS, such as Facebook, was popular among American college students. But in China, the relevant business had not been developed. So he created Xiaonei by imitating Facebook.	The company prioritized the click-through rate, disregarding other goals.	There was only 14 staff. Half of the staff worked on technology. The company did not have the people's capability to expand its profit pattern.	Whether the company should change their profit pattern or not.	Exploitation
51.com	Similar to Xiaonei, 51.com also imitated facebook, but the CEO Pang Shengdong is "an old man" of the Internet community. The company was financed with USD 76 million, and focused on expansion.	At first, the company tried hard to develop the platform, but the cost was too high, and they gleaned no results. Later, the company developed online games, using many resources, but failed.	Because resource allocation was unbalanced, the staff complained. In addition, the company expanded too fast and without clear targets. The original business suffered losses and a fierce contradiction between the goals of different groups in the company. Management reached a bottleneck.	How to expand quickly and remain listed?	Exploration

## 7. Discussion and Conclusions

The study discusses the relationship between organization ambidextrous strategy decision making and sustained performance in the rapidly changing environment of China. Based on our research results and our underpinning arguments, our proposed framework focused on the linear process of how companies shape their organizational boundaries and develop a new market. Scholars and entrepreneurs began to focus on the survival of Internet companies during the fierce competition in the market, and they tried to understand why some companies could survive and even prosper when faced with environmental changes. In contrast, others could not [56]. Companies have to update their capabilities and acquire new core competencies in response to environmental changes. The failed companies had no competitive advantages or core competencies in the cases we investigated.

### 7.1. Generating Sustained Performance through the Ambidextrous Decision Making of the Top Management Team

The ambidextrous theory focused on company development and competitive advantage while exploring specific organizational attributes that affected an organization's ambidexterity or performance. The organization pursued seemingly impossible goals that were difficult to obtain [3,57]. Conceptual debates resulted in a great challenge for organizations to achieve ambidexterity, which was needed to integrate and apply fragmentary exploratory and exploitative activities [25]. Top management teams played a crucial role in promoting ambidexterity [3,57].

In the field of corporate strategy combination, some management scholars assert that ambidextrous activities will enhance long-term corporate performance. Based on the characteristics of the top management teams and the quality of the decision-making process—which are necessary for determining how organizations pursue exploration and exploitation [24,58]—we find that a company with good performance has to implement an ambidextrous strategy with clear goals. Additionally, a top management team in a high-performance and ambidextrous company must build the business portfolio from the entire network context rather than from a series of independent relationships. When the teams are more precise on their goals, they can convey the strategy target and reach success. Therefore, teams realize the dependent relationships among different strategic orientations, the company's development of their positions, and industry uncertainty [59]. Rich knowledge has expanded the view of the top management team. The executives could select strategies from alternatives and enrich them. By contrast, the top management in a low-performance, the ambidextrous company have simple ideas. They are constrained with short-sighted views, such as the already established advantage, existing social relationships, and business matching [60–63].

Secondly, the top management team, especially the CEO, has experience in good management and decision-making in successful companies. They cope with the conflicts in ambidextrous processes and resolve disputes positively and independently in the organization [64]. On the contrary, failed ambidextrous companies have difficulty dealing with conflict. They tend to postpone making decisions until the external environment has forced them to do so [65]. Of course, we must emphasize one point: the difficulty in bringing everyone to the agreement. The consensus with limited conditions in most companies is the most reasonable and workable solution.

### *7.2. Ambidextrous Strategy Process Framework of Sustained Performance*

The second contribution is that we adopted the process theory to research building a sustained-performance, ambidextrous strategy. Because of the unique role of the top management team in an enterprise, the members must possess contradictory thinking and conflict-management skills to exchange information, coordinate behavior, and resolve conflicts [66]. Thus, effective management is an essential guarantee for the organization to achieve ambidexterity. However, company management should make a clear strategy target, allocate resources reasonably, and coordinate internal conflicts when facing a rapidly changing environment.

Our study was based on a previous study framework. The results showed that the top management team needs to co-evolve with the business unit, resource allocation, strategic decision making, and the external environment. Due to the tenure of the top management team, the organization depends on management only for existing risks. Thus, the dimensions of dynamic capability, integrated by the top management team, have become an essential supplement to the ambidextrous organization. According to environmental changes, the top management team could undertake co-evolution beneficial to their advantage. Management can reallocate their resources and set up structures to pursue ambidexterity [29,64]. However, if only co-evolution is present, the management lacks the strategic policy, resulting in the waste of resources and energy—eventually leading to failure.

Our research extends the ambidextrous theory and regards organizational ambidexterity as a whole, in the framework of dynamic capability, rather than as two dispersed parts. By integrating ambidextrous strategy processes and sustained performances, the organization could realize long-term targets by co-evolution with the business unit, resource allocation, strategic decision making, and external environment, and provide new insights for ambidexterity mechanism research. In addition, we surveyed many Internet companies, including both successful and failed firms. Our work is beneficial to understanding the model and allows practitioners to make better choices according to their environment and the dimension best suited for their role [6].

### 7.3. Limitations and Future Research Directions

The three propositions generated from the case and related analysis can act as a roadmap for future research in various areas, such as ambidexterity and sustainable high performances of enterprises; additionally, the shortcomings of this paper will provide future directions. We investigated some Internet companies of emerging economies and studied the ambidextrous model by concentrating on the Internet industry, which mainly relied on technology and the rapid updating of products. These qualities are different from other industries, such that the model has yet to be verified in other industries. Accordingly, one of the future directions is using another industry sample to verify the proposed ambidextrous model and examine the feasibility and universality.

We investigated Chinese Internet companies for the case collections and interviews and mainly collected qualitative data. Our research on these cases reinforces the call for more empirical work on TMTs and their intermediate effect on ambidexterity. In addition, our research further illustrates the three aspects derived from the contingency effects, with increased attention on maintaining the sustained high performance of enterprises through exploitative innovation and exploratory innovation. However, the sample we selected for the case study is not comprehensive. The failure cases were emerging small businesses, while the successful cases were large Internet companies. Large enterprises have significant advantages over small- and medium-sized enterprises in terms of all kinds of resources, and they are more likely to obtain policy support; therefore, future work can investigate small and medium Internet enterprises as successful cases, especially in lack of resources, or focus on a series of cases about small- or medium-sized Internet enterprises growing into large enterprises.

Although the co-evolution of various business units can bring sustained performance to the enterprises, it is also bounded by some external factors. When realizing co-evolution through ambidextrous decision making, enterprises should also consider many risk factors from the environment, such as the impact of the competitors and the macrostate policies. These problems are reflected in Sina Finance. As an important strategic sector of Sina, it was started around 2010. Regarding this question, we consulted a top-tier partner of EqualOcean, a famous think tank of China:

“Here, I make an example of Sina Finance. It is under siege and has not yet figured out its main products and business model, but Sina’s ambitions for financial business are becoming more and more obvious . . . Although the business is blooming everywhere and the super traffic of Weibo backs it, Sina Finance is not only unable to compete with the financial layout of Internet giants such as Alibaba, Tencent, and JD.com but also cannot compete with traditional financial giants such as China Securities Co., Ltd., and Ping An Technology . . . It (Sina Finance) mainly relies on Weibo to divert traffic, but it is scattered on various platforms, and the layout is disorganized and cannot form a synergy. Coupled with the tightening of regulatory policies, Sina Finance has already stopped many financial apps, leaving only some core platforms.”

In addition to alleviating the limitations mentioned above, we did not carry out an in-depth study of a top management team with rich experience in decision making and management of achieving the ambidextrous strategy. However, we did propose the ambidextrous dimensions of organization at the microlevel, and we examined the critical role of the top management team. Future research can meticulously consider the ambidextrous mechanisms of leadership and TMT diversity as task-related heterogeneity [5].

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