

**Dynamic Managerial Capabilities and Service-Sales Ambidexterity:
A Financial Industry Perspective**

William Shiue^{1*}, Aybars Tuncdogan¹, and Stuart Barnes²

¹King's Business School, King's College London, London, U.K.

²Newcastle University Business School, Newcastle University, Newcastle upon Tyne, U.K.

*Corresponding author. For more information, please contact William Shiue, 30 Aldwych, Bush House, King's Business School, King's College London, London, U.K.
(william.shiue@kcl.ac.uk).

Dynamic Managerial Capabilities and Service-Sales Ambidexterity: A Financial Industry Perspective

Dynamic managerial capabilities (DMCs) are defined as the capabilities with which managers create, extend, and modify the ways in which businesses make a living. DMCs help to explain the relationship between the quality of managerial decisions, strategic change, and business performance. Firms can achieve extra 10% revenue if they engage in both service and sales activities in a business report by McKinsey (2015). In this study, we use DMCs as drivers of service-sales ambidexterity. Service-sales ambidexterity denotes the twin goals of achieving quality service while reaching sales goals. To be specific, we investigate how managers' sensing, seizing, and transforming capabilities help them to achieve ambidextrous service and sales activities. We also examine environmental dynamism as the moderator between dynamic managerial capability and service-sales ambidexterity. Finally, we investigate the influence of managers' service-sales ambidexterity on service innovation performance and service-sales performance.

Keywords: service-sales ambidexterity, dynamic managerial capabilities, dynamic capabilities, sensing, seizing, transforming

Track: Strategy

Word count: 1,654 words

Dynamic Managerial Capabilities and Service-Sales Ambidexterity: A Financial Industry Perspective

1. Introduction

Nowadays, business executives often anticipate managers and employees to actively contribute to both sales targets and service goals (de Ruyter, Keeling, and Yu, 2020). In the strategic management literature, the twin goals of providing excellent service while reaching sales goals are termed as “service-sales ambidexterity” (Jasmand, Blazeovic, and de Ruyter, 2012; Yu, Patterson, de Ruyter, 2013). Organizations are developing service-sales ambidexterity as a business strategy to accomplish the desired outcome performance (Sok, Sok, and De Luca, 2016). Service-sales ambidexterity requires managers and employees to engage in both service and sales activities.

Organizations today are confronted with discontinuous change in which the market leaders are very different from the previous incumbents. Businesses, particularly those in the fast-changing industries (e.g. high-tech, IT), need to transform their organizational capabilities to adjust to the changes in turbulent operating environment. The existence of a dynamic capability is to sustain long periods of competitive advantage (Teece, 2007). Given this emerging pattern, we consider how managers can achieve service-sales ambidexterity from the perspectives of dynamic managerial capability (e.g. sensing, seizing, and transforming).

This study contributes to the literature in three important ways. First, we investigate how sensing, seizing, and transforming component of dynamic managerial capability contribute to managers’ service-sales ambidexterity. Research considering how dynamic capability impacts service-sales ambidexterity is limited (Shiue, Tuncdogan, Wang, and Bredican, 2021). Second, we examine the contextual moderators of the relationships between these antecedents. In particular, we examine environmental dynamism as a key external contextual variable. Meta-analysis on ambidexterity contends that contextual factors have a substantial influence on both positive and negative organizational ambidexterity (Junni, Sarala, Taras, and Tarba, 2013). Finally, this paper contributes to the ambidexterity literature, where we investigate the drivers behind achieving service-sales ambidexterity. Managers have the ability to sense, seize, and transform a range of seemingly conflicting opportunities and goals by exploiting current capabilities (Mom et. al., 2009; O'Reilly and Tushman, 2004). This dynamic managerial capability becomes unique competency that allows them to adapt to the changing market and business environment.

2. Conceptual Background and Hypotheses Development

2.1 Overview of Literature

2.1.1 Dynamic Managerial Capability

The dynamic capability perspective strives to answer one of the tenant questions of strategic management literature as to how firms can create or sustain its competitive advantage in the long run (Barreto, 2010; Helfat, 2007). This perspective highlights the importance of firm’s path of evolution and development of renewing resources and competencies. Teece (2007) further explicated dynamic capability into three components: sensing, seizing, and transforming. In response to potential marketing and technological capability gaps, managers will need to engage in frequent sensing, seizing, and reconfiguring to alter operating spheres and generate new set of conceivable capability configurations (Teece, 2007; Wilden and Gudergan, 2015).

Recent scholarship stress that managers play an important role in recognizing opportunities, and a growing body of research recognizes the role of dynamic managerial capabilities (DMCs) (e.g., Kor and Mesko, 2013; Helfat and Martin, 2015). Adner and Helfat (2003) first introduced the concept of dynamic managerial capabilities, and they defined it as “the capabilities with which managers build, integrate, and reconfigure organizational resources and competences” (p. 1012). DMCs refer to the patterns of behavior with which managers create, extend, and modify the ways in which firms make a living (Huy and Zott, 2018). The concept directs the attention to the impact managers have on firm’s strategy and performance. DMCs allow managers to develop strategic thoughts towards technology development, business problems, product innovation, and to align firm’s available resources and assets with external business environment. First, managers can sense the opportunities and threats around the environment, seize the opportunity, and then reconfigure existing operating procedures and routines to adapt to the current environment.

2.1.2 Service-Sales Ambidexterity

The concept of contextual ambidexterity is typically used to describe the simultaneous pursuit of exploitation and exploration activities (e.g., Gibson and Birkinshaw, 2004; Tarba, Jansen, Mom, Raisch, and Lawton, 2020). In contrast, service-sales ambidexterity is distinct kind of contextual ambidexterity that investigates the synergies between service and sales activities (Yu, Patterson, de Ruyter, 2013; de Ruyter, Keeling, and Yu, 2020). The notion of service-sales ambidexterity suggests that managers can benefit from combination and cooperation between their service and sales, implying that the dual goals of service provision and sales target do not need to be mutually exclusive and can be simultaneously achieved on the part of managers (Jasmand, Blazevic, and de Ruyter, 2012; Yu, Patterson, and de Ruyter, 2013).

2.2. Sensing and Service-Sales Ambidexterity

Sensing refers to activities directed towards identifying relevant changes and opportunities in the business environment, including probing new technological opportunities, exploring new markets, and gathering current customer’s needs on products and services (Teece, 2011; Wilden and Gudergan, 2015). Sensing involves scanning, spotting, creating, learning, and interpreting activities (Teece, 2007). Managers must constantly interact with the external environment to exchange business ideas, engage in impression management, and search for potential opportunities and threats (Helfat and Martin, 2015). Managers who sense those opportunities and threats can understand what is happening in the market and the current business trends, and this knowledge can help when providing services and sales to customers. Therefore, we hypothesize the following,

Hypothesis 1: Sensing capability is positively associated with service-sales ambidexterity.

2.3. Seizing and Service-Sales Ambidexterity

Seizing is associated with capturing existing opportunities in the market (Teece, 2007). Managers can respond accurately and quickly to customer-based opportunities when they have coordinated teams and processes in the organization. Managers can seize market opportunities by successfully reallocating resources, often by adjusting existing job skills or developing new ones (Teece, 2007). Furthermore, it is important to disseminate market intelligence and take initiative based upon it (Kindstrom, Kowalkowski, and Sandberg, 2013). Business managers should be able to seize the opportunities that are present in the environment. In this vein, we believe that seizing positively enforces service-sales ambidexterity. Therefore, we hypothesize that:

Hypothesis 2: Seizing capability is positively associated with service-sales ambidexterity.

2.4. Transforming and Service-Sales Ambidexterity

Transforming refers to managing change by reconfiguring existing capabilities into plausible new value-creating strategies and evolutionary fitness and to avoid unfavorable path dependencies (Helfat and Martin, 2015; Teece, 2007). Transforming requires coordination efforts to build, maintain, and adjust product offerings. It is associated with making changes to the existing operating procedure. When managers are engaged in reconfiguring existing products and services, this enforces their ambidextrous behavior of engaging in services and sales activities. Based on the foregoing, we hypothesize:

Hypothesis 3: Transforming capability is positively associated with service-sales ambidexterity.

2.5. Service-Sales Ambidexterity and Service-Sales Performance

When managers embark on a dual service and sales emphasis strategy, customer service and sales goals should be interdependent and mutually reinforce each other. As Zeithaml (2000) points out, selling appropriate products increases customers' perception of service excellence, and superior customer service also leads to increased sales. When managers engage in ambidextrous behavior, they are more inclined to refine skills and acquire new knowledge and abilities (Mom, Van Den Bosch, and Volberda, 2009). These inputs of effort will put sales managers in a better position to alter or customize the solutions during service and sales encounters. Considering the above, we state that:

Hypothesis 4: Managers' service-sales ambidexterity is positively associated with service-sales performance.

2.6. Service-Sales Ambidexterity and Service Innovation Performance

Service innovation, which refers to an offering of an addition to the current service mix or a change in the service delivery process, usually involves creating new solutions or integrating and modifying new concepts, capabilities, skills, and resources (Luoh, Tsaur, and Tang, 2014; Alghamdi, 2018). Service-sales ambidexterity allows managers to choose between putting in greater effort on customer service quality or placing more energy into increasing sales and acquiring new customer groups (Jasmand, et. al., 2012). During managers' ambidextrous roles of providing service and sales, they are better positioned to understand customers' needs, thereby improving the adaptability of solutions to processes. This increasing customer involvement becomes an important resource that can help managers to develop more innovative service behaviors. In accordance, we posit:

Hypothesis 5: Managers' service-sales ambidexterity is positively associated with service innovation performance.

2.7. Environmental Dynamism as a Moderator of the Relationship between Sensing, Seizing, and Transforming and Service-Sales Ambidexterity

Environmental dynamism describes the rate of change and the unpredictability of a firm's external environment (Dess and Beard, 1984). Environmental dynamism increases uncertainty, anxiety, and risk in salespersons (Waldman, Ramirez, House, and Puranam, 2001). The dynamic managerial capabilities of sensing, seizing, and transforming help managers understand what is happening in the market, react, and then adapt to the surrounding business environment. However, when the environment is dynamic and complex,

appropriate behaviors become less clear, and controlling sales and service activities become less certain. The important role of coordinating the efforts of managers' dual roles may attenuate due to environmental dynamism. Thus, it is posited:

Hypothesis 6a: *Environmental dynamism negatively moderates the relationship between sensing and service-sales ambidexterity.*

Hypothesis 6b: *Environmental dynamism negatively moderates the relationship between seizing and service-sales ambidexterity.*

Hypothesis 6c: *Environmental dynamism negatively moderates the relationship between transforming and service-sales ambidexterity.*

3. Research Method

The authors plan to collaborate with an online e-receipt company. This e-receipt company has over 10,000 customers in the database. We plan to randomly sample 500 respondents from this sample frame. Six months after the initial data collection, we plan to conduct a second wave of data collection to make this a longitudinal study. We will employ structural equation modelling (SEM) for this study, and we will analyse the results using SmartPLS 4.0. All the measures from this study are generated with the help of the well-established measurement scales.

4. Next Steps

Prior studies have focused heavily on individual psychological variables as antecedents to service-sales ambidexterity. We plan to conduct more literature review, and we hope to bring a fresh new perspective into the discussion on service-sales ambidexterity. We will focus more on the antecedents of service-sales ambidexterity from the strategic management area, and also look into other organizational climate variables that may moderate the hypothesized relationships.

Selected References

1. Dess, G. G., and Beard, D. W. (1984). 'Dimensions of organizational task environments', *Administrative Science Quarterly*, pp. 52-73.
2. Gibson, C. B., and Birkinshaw, J. (2004). 'The antecedents, consequences, and mediating role of organizational ambidexterity', *Academy of Management Journal*, vol. 47, no. 2, pp. 209-226.
3. Helfat, C. E., and Peteraf, M. A. (2009). 'Understanding dynamic capabilities: progress along a developmental path', *Strategic Organization*, vol. 7, no. 1, pp. 91-102.
4. Jasmand, C., Blazevic, V., and De Ruyter, K. (2012). 'Generating sales while providing service: A study of customer service representatives' ambidextrous behavior', *Journal of Marketing*, vol. 76, no. 1, pp. 20-37.
5. Mom, T. J., Van Den Bosch, F. A., and Volberda, H. W. (2009). 'Understanding variation in managers' ambidexterity: Investigating direct and interaction effects of formal structural and personal coordination mechanisms', *Organization Science*, vol. 20, no. 4, pp. 812-828.
6. de Ruyter, K., Keeling, D. I., and Yu, T. (2020). 'Service-sales ambidexterity: Evidence, practice, and opportunities for future research', *Journal of Service Research*, vol. 23, no. 1, pp. 13-21.
7. Sok, K. M., Sok, P., & De Luca, L. M. (2016). 'The effect of 'can do' and 'reason to' motivations on service-sales ambidexterity', *Industrial Marketing Management*, 55, 144-155.
8. Tarba, S. Y., Jansen, J. J., Mom, T. J., Raisch, S., and Lawton, T. C. (2020). 'A microfoundational perspective of organizational ambidexterity: Critical review and research directions', *Long Range Planning*, vol. 53, no. 6, pp. 102048.
9. Teece, D. J., Pisano, G., and Shuen, A. (1997). 'Dynamic capabilities and strategic management', *Strategic Management Journal*, vol. 18, no. 7, pp. 509-533.
10. Teece, D. J. (2007). 'Explicating dynamic capabilities: the nature and microfoundations of (sustainable) enterprise performance', *Strategic management journal*, 28(13), 1319-1350.
11. Yu, T., Patterson, P. G., and de Ruyter, K. (2013). 'Achieving service-sales ambidexterity', *Journal of Service Research*, vol. 16, no. 1, pp. 52-66.