

Building and Managing an Ambidextrous SME in Central and Eastern Europe*

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Abstract

This paper demonstrates how and under what conditions small and medium-sized enterprises in Central and Eastern Europe can build and manage ambidexterity. We illustrate how an exploitation-driven insurance firm complemented its exploitative core business in Central Europe with exploratory activities (i.e. a new venture) in Eastern Europe to create ambidexterity across two geographically dispersed business units (BUs). We show how the firm achieved ambidexterity by elaborating on the BUs' micro-political bargaining power and BU leaders changing their units' mandates and adapting organisational learning to balance exploitation and exploration.

Keywords: Ambidexterity, Exploitation, Exploration, SME, Central and Eastern Europe

JEL Codes: L84, M13, M16

Introduction

Organisational ambidexterity describes the balancing of exploitation and exploration (Levinthal/March 1993; Jansen et al. 2008) that allows organisations to pursue efficiency and innovation and enables them to develop the necessary capabilities to adapt to changing environments (O'Reilly/Tushman 2008). Ambidextrous organisations successfully manage to align current business (i.e. exploitation) while adapting to external challenges (i.e. exploration) (Duncan 1976). Exploitation refers to 'refinement, choice, production, efficiency, selection, implementation, [and] execution'; exploration describes 'search, variation, risk taking, experimentation, play, flexibility, discovery, [and] innovation' (March 1991:71).

However, exploiting existing resources and exploring new opportunities to ultimately build an ambidextrous organisation is challenging (Gupta et al. 2006; March 1991; Raisch/Birkinshaw 2008) because organisations are constrained by limited resources, organisational characteristics and their external environment

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(Lin et al., 2007). Although pursuing both exploitation and exploration may imply conflict in an organisation's strategic alignment, empirical evidence shows that by balancing these contradictory notions, the merits of ambidexterity may outweigh its downsides. Ambidexterity is positively associated with customer experience (de Ruyter et al. 2019), sales growth (Auh/Menguc 2005; He/Wong 2004), organisational innovation (Adler et al. 1999; McGrath 2001; Rothaermel/Alexandre 2009), organisational performance (Cao et al. 2009; Lubatkin et al. 2006) and organisational survival (Cottrell/Nault 2004; Mitchell/Singh 1993).

An extensive body of literature on ambidexterity has evaluated such factors as organisational design (Adler et al. 1999; Tushman/O'Reilly, 1996), organisational learning (Gupta et al. 2006; Levinthal/March, 1993), organisational adaptation (Burgelman 1991; Probst/Raisch, 2005), strategic management (Auh/Menguc, 2005; Ebben/Johnson, 2005) and technological innovation (Danneels 2002; Jansen et al. 2006), and explored ambidexterity's antecedents (Beckman 2006; Jansen et al. 2008; Smith/Tushman, 2005), modes of balancing (Gabler et al. 2017; Panagopoulos et al. 2019) and distinct performance outcomes (He/Wong, 2004; McDonough/Leifer, 1983; Simsek et al. 2009).

Despite these rich insights, we know little about how and under what conditions small and medium-sized enterprises (SMEs) in Central and Eastern Europe (CEE) build and manage ambidexterity. While ambidexterity offers advantages for larger firms (Lin et al. 2007) and those with more resources (Cao et al. 2009; Sidhu et al. 2004), how ambidexterity unfolds in SMEs remains unclear. Furthermore, emerging markets, such as those in Eastern Europe, have attracted little scientific attention, although their economic welfare has improved in recent years (Swiss Re Institute 2020). Thus, this study aims to investigate how an SME in CEE built and managed ambidexterity.

Given the lack of prior research on the ambidexterity implementation process (Zimmermann et al. 2018), we build an inductive case study to explore how an internationalising insurance SME, THE FIRM, built and managed ambidexterity. Drawing on interview data from internal and external stakeholders of THE FIRM and triangulating these data with observations and archival materials, we provide a comprehensive picture of how ambidexterity unfolded and was managed across two geographically dispersed business units (BUs).

Our study makes three contributions to the literature. First, it provides a better and more granular understanding of how an internationalising SME built and managed ambidexterity (Zimmermann et al. 2018). Detailing the power relationships between the subsidiaries (note that we use the terms 'BUs' and 'subsidiaries' interchangeably) and the corporate headquarters (HQ), we elaborate on how THE FIRM built exploratory business (i.e. a new venture) in Eastern Europe to complement its exploitation-driven core business in Central Europe, to eventually become an ambidextrous organisation. Second, we shed light

on how the BU leadership teams changed their subsidiaries' mandates (Birkinshaw 1996) to balance exploitation and exploration. Highlighting the beneficial boundary conditions for subsidiary mandate change, we outline how subsidiary mandates developed along four different types: product extension, geographical extension, functional extension and renewal. Corporate HQ granted the freedom and autonomy that were particularly crucial for the subsidiaries in developing their mandates. Third, we demonstrate how combining capability-shifting and capability-building processes balanced exploitative and exploratory learning (Luger et al. 2018). To pivot from a top-down learning approach that merely targeted exploitation and create structural ambidexterity, THE FIRM engaged in capability-building processes that balanced exploitative and exploratory learning. Switching between capability-building and capability-shifting modes enabled THE FIRM to endure phases of discontinuous change and overcome the stress of evolutionary times.

Theoretical Background

Power relationships between subsidiaries and HQ

Prior studies assumed that subsidiaries have a subordinate power position compared to corporate HQ (Dörrenbacher/Gammelgaard 2011). *Subsidiary power* is the subsidiary's ability to influence HQ's decision-making (Dörrenbacher/Gammelgaard 2006): Different types of subsidiary power have emerged over time. *Micro-political bargaining power* describes actions by which subsidiaries influence HQ using their own initiatives, strategic information politics and even manipulative behaviour (Surlmont 1998). Micro-political bargaining power is crucial for subsidiaries, in light of HQ's formal power to limit their autonomy and even shut them down (Dörrenbacher/Gammelgaard 2011). *Resource-dependence power* describes situations in which the subsidiary's control over critical resources in the local environment can become critical for the SME's performance (Dörrenbacher/Gammelgaard 2011). Such resources may include market access, knowledge or being part of a business network, such that HQ can control the subsidiary's links in multiple local environments only to a certain extent or not at all. Last, *institutional power* identifies institutional structures of the host country as a source of strong and sustainable subsidiary power (Gepfert/Williams 2006). Unlike resource-dependence power, institutional power does not necessarily require the subsidiary to be deeply embedded in the host country's economy (Dörrenbacher/Gammelgaard 2011).

Subsidiary mandates

A *subsidiary mandate* refers to a whole business or one of its parts, in which the subsidiary participates (Birkinshaw 1996). A subsidiary mandate is dynamic, changing in form over time and describing a subsidiary's responsibilities

beyond its national market (Birkinshaw 1996). Prior research shows that often, subsidiaries soon abandon the roles that HQ initially assigned them (Dörrenbacher/Gammelgaard 2006). Subsidiaries identifying promising business opportunities in their local environment or pursuing distinct strategies (independent of HQ's) to ensure their long-term survival, and subsidiary managers taking initiatives instead of merely executing HQ's orders, trigger such behaviour (Dörrenbacher/Gammelgaard 2011).

Prior literature identified two ways to develop subsidiary mandates (Birkinshaw 1996): *Market-seeking mandates* describe situations in which the subsidiary moves its existing capabilities into unserved product and market areas. *Resource-seeking mandates* describe the development of distinct capabilities favouring HQ investments in this location. Furthermore, there are four key types of mandate development (Birkinshaw 1996). First, *product extension* describes an extension of the subsidiary's product portfolio. Second, *geographical extension* refers to new market entries in untapped regions. Third, *functional extension* describes the process of moving functions from HQ to the subsidiary. Fourth, *renewal* refers to a redefinition of the business or its parts.

Organisational learning

Exploitation and exploration are two fundamentally different, yet inseparable approaches to organisational learning (Floyd/Lane 2000; He/Wong 2004; Levinthal/March 1993). *Exploitation* strengthens existing competencies and paradigms, leading to positive and predictable outcomes (March 1991). *Exploration*, on the other hand, searches for untapped knowledge and new ideas that may lead to negative and unpredictable outcomes (March 1991). By reconciling exploitation and exploration, organisations can enhance their long-term competitiveness (Gibson/Birkinshaw 2004) and create innovations (e.g. organisational, process and product innovations). The literature distinguishes between exploitative and exploratory innovation (Jansen et al. 2006): *Exploitative innovations* strive for efficiency and are rather incremental (Benner/Tushman 2003). *Exploratory innovations* address new customers and markets and, thus, are rather radical (Atuahene-Gima 2005; Benner/Tushman, 2003). However, reconciling exploitative and exploratory learning is arduous (March 1991). Tensions stem from concerns with such contradictory organisational requirements as context (Gibson/Birkinshaw 2004), cultural focus (Carmeli/Halevi 2009) and organisational structure (O'Reilly/Tushman 2008).

Organisations that manage to blend exploitative and exploratory learning create *organisational ambidexterity*, an organisation's ability to balance such competing objectives as efficiency vs. flexibility, alignment vs. adaptability or exploitation vs. exploration (Lavie et al. 2010; Raisch/Birkinshaw 2008). Accordingly, ambidextrous organisations successfully manage to align current business while

adapting to external challenges (Duncan 1976). Overall, ambidexterity enhances customer experience (de Ruyter et al. 2019), sales growth (Auh/Menguc 2005; He/Wong 2004), organisational innovation (Adler et al. 1999; McGrath 2001; Rothaermel/Alexandre 2009), organisational performance (Cao et al. 2009; Lubatkin et al. 2006) and organisational survival (Cottrell/Nault 2004; Mitchell/Singh 1993).

There are two key mechanisms of how to implement ambidexterity. *Structural ambidexterity* refers to implementing dual structures to manage trade-offs between incompatible objectives (Duncan 1976; Gibson/Birkinshaw 2004). Dual structures are a mode of segmentation that allows some BUs to exploit while others explore (Andriopoulos/Lewis 2009; Duncan 1976; Gibson/Birkinshaw 2004; Gupta et al. 2006; Lawrence/Lorsch 1967). Structural ambidexterity ensures that organisations implement structural mechanisms that adequately equip them to face the distinct needs of their environment (Gibson/Birkinshaw 2004; Lawrence/Lorsch 1967). It comprises a joint vision, shared values and the aim of leveraging shared assets (Jansen et al. 2009; Lubatkin et al. 2006; O'Reilly/Tushman 2011; Smith/Tushman 2005). Splitting exploitation and exploration might be helpful, as BUs differ in terms of functions, mindsets, external domains (Lawrence/Lorsch 1967), competencies, processes and cultures (O'Reilly/Tushman 2008). By separating exploitation and exploration, BUs can focus on their core competencies.

Contextual ambidexterity is 'the capacity to simultaneously achieve alignment and adaptability at a business-unit level' (Gibson/Birkinshaw 2004:209). Gibson and Birkinshaw (2004) suggested breaking up the aforementioned 'dual structure' of separating exploitation and exploration, in favour of bundling all capabilities within a single BU. Contextual ambidexterity emanates from the specific characteristics of the organisational context and enables individuals to decide how best to divide their time between the conflicting demands and objectives of alignment and adaptability (Gibson/Birkinshaw 2004). A supportive organisational context, relating to a BU's culture, structural context and climate (Burgelman 1983; Ghoshal/Bartlett 1994; Gibson/Birkinshaw 2004), provides a premise for the flourishing of contextual ambidexterity (Gibson/Birkinshaw 2004).

Methodology

Research setting and sampling

Research on how ambidexterity is built and managed in SMEs in emerging markets is limited (Junni et al. 2020), particularly in such developing countries as those in Eastern Europe (Petrariu et al. 2013). Given organisational ambidexterity's particular importance in knowledge-intensive service industries (Junni et al. 2013), our search efforts targeted such industries. We identified insurance as

a promising industry that generally is not innovative (The Institutes 2020). The intricate nature of insurance contracts and regulations makes it a relatively complex industry, requiring dedicated intellectual capabilities. Our proximity to the Eastern European region allowed us to collect data in this under-researched area. Also, the potential for insurance penetration in the CEE region is increasing (Swiss Re Institute 2020).

Because we aimed to investigate how reconciling exploitation and exploration enabled building and managing ambidexterity, a case study approach that helped to develop theory on our proposed ‘how’ question seemed appropriate (Eisenhardt/Graebner 2007). Therefore, we followed an inductive research design. We found a purely exploitation-driven insurance firm in Switzerland that was lacking innovative capabilities: THE FIRM.

THE FIRM is an internationalising SME founded in 2012 by a group of insurance entrepreneurs. It operates two strategic BUs in CEE, each occupying a niche within the insurance industry. Table 1 briefly summarises THE FIRM’s BUs. THE FIRM’s operational core was a run-off business (RUN-OFF) located in Switzerland and the Principality of Liechtenstein. ‘Run-off business’ describes the active management of life insurance contracts for which policyholders no longer pay any premiums. By nature, run-off business is finite. At the due date, contracts will be settled (i.e. paid out), or customers terminate their contracts beforehand. Consequently, the number of insurance contracts that constitute a run-off portfolio naturally decreases over time. Thus, RUN-OFF manages life insurance portfolios cost-efficiently, ensuring the accurate settlement of contracts. In other words, RUN-OFF streamlines processes to improve efficiency and reduce the costs of these contracts and portfolios, by standardising such operations as IT, customer service, claims-processing and actuarial services.

From time to time, RUN-OFF had to acquire run-off portfolios from ceding insurers or small run-off firms, to keep operations running. It integrated, aligned and consolidated acquired run-off portfolios and companies to increase operational efficiency. Therefore, RUN-OFF’s employees have extensive experience migrating life insurance portfolios from ceding insurers. However, the market structure (i.e. strict regulation) and market size (i.e. a relatively small and fragmented market) limited the potential for further acquisitions in Switzerland and the Principality of Liechtenstein. Due to the finitude of the run-off business, THE FIRM’s top management team (TMT) decided to eventually create new business (i.e. write new business) inside a new BU. ‘Writing new business’ is terminology the insurance business uses. It refers to the so-called written premiums that describe the total premiums on all insurance policies an insurance company writes during a specific period (e.g. one year). When the company writes new business, customers sign insurance contracts for which they pay

premiums. THE FIRM's objective was to transition from being a mere run-off player to becoming a business network with independent BUs.

THE FIRM built a new venture (PROTECTION) in Eastern Europe. THE FIRM's TMT deliberately decided to build this new venture in the Czech Republic because PROTECTION's founding team had considerable experience working in Eastern Europe. PROTECTION built a fully digital business model, offering innovative life-insurance protection solutions covering major risks. Furthermore, PROTECTION's TMT built a business alliance with external partners with complementary skills. Since such alliances foster exploitation and exploration (Koza/Lewin 1998; Lavie/Rosenkopf 2006), PROTECTION enabled open innovation (e.g. organisational, process, product innovation) to expand its capabilities. The PROTECTION team's entrepreneurial mindset demonstrated engagement and motivation.

'They do not go to sleep before they finish the job [...] They would sacrifice their free time for the job' (Chief Executive Officer, PROTECTION).

Table 1. Overview of business units

	RUN-OFF			PROTECTION		
Year of establishment	1990			2019		
Headquarters	Switzerland and the Principality of Liechtenstein			The Czech Republic and Slovakia		
Core business	Run-off			Life insurance protection		
Key business objective	Managing the run-off portfolio cost-efficiently, acquiring new run-off portfolios			Writing new business, scaling the business model		
Geographical focus	Central Europe			Eastern Europe		
Degree of exploitation ¹	High			Low		
Degree of exploration ¹	Low			High		
Revenues	2019	2020	2021	2019	2020	2021
RUN-OFF	CHF 97.3 million	CHF 89.7 million	CHF 84.6 million			
PROTECTION (CZ)				CZK 0.03 million	CZK 5.8 million	CZK 12.5 million
PROTECTION (SK)					EUR 3.7 million	EUR 5.8 million
Number of employees	51	48	42	48	58	60

¹ As stated by managers and employees

Notes: CHF = Swiss Francs, CZ = The Czech Republic, CZK = Czech Koruna, SK = Slovakia, EUR = Euros. Numbers were obtained from archival materials.

Data collection

We interviewed internal and external stakeholders to develop a holistic view of THE FIRM. We employed theoretical sampling to select interview partners (Flick 2009; Miles et al. 2014). To mitigate informant bias, we selected diverse and highly experienced interviewees with distinct perspectives on building and managing ambidexterity in CEE (Eisenhardt/Graebner 2007; Miller et al. 1997). Two researchers conducted most of the interviews, unfolding different perspec-

tives on the phenomenon (Maxwell 2013). We were particularly interested in the power relationships between the corporate HQ and the two BUs and the ultimate implementation of ambidexterity. Our interview guide contained open-ended questions, and we adapted them as we encountered emerging themes and case features (Locke 2001).

Table 2. List of interview partners

Internal Stakeholders	Position
THE FIRM	Chairman
	Group Chief Financial Officer
	Group Chief Operating Officer (2x)
	Group Chief Risk Officer
RUN-OFF	Chief Executive Officer
	Chief Information Officer
	Chief Operating Officer
	General Counsel
PROTECTION	Chief Executive Officer
	Chief Operating Officer
	Chief Distribution and Marketing Officer
	Chief Life and Investment Officer
	Head of IT
Asset Management ¹	Chief Executive Officer
Majority Shareholder ²	President of a family office
Minority Shareholder	Managing Directors from a reinsurance firm (2x)
External Stakeholders	Position
Company Builder ³	Chief Executive Officer
Insurance Firms ⁴	Board Member (3x)
Consultants ⁵	Global Insurance Strategy and Operations Lead
	Managing Partner
	Insurance Tax Lead
	Project Manager (4x)
Executive Search ⁶	Managing Partner
	Executive Director
IT Provider ⁷	Chief Financial Officer
	Director Insurance
	Business Solutions Architect
Academia ⁸	Full Professor (2x)

¹ Asset management is part of the insurance value chain, where clients' insurance premiums are invested to generate returns, which are needed to settle claims. We interviewed THE FIRM's CEO for their asset management operations. ² THE FIRM has a majority shareholder—a family office—and a minority shareholder—a reinsurance firm. We interviewed the

President of the family office and two Managing Directors from the reinsurance firm.³ A company builder is a firm with the resources, capital and know-how to efficiently build new ventures. We interviewed the CEO of a Czech company builder that had been in talks with THE FIRM to manage one of their projects.⁴ We interviewed three board members of competing insurance firms in Central and Eastern Europe.⁵ We interviewed the Global Insurance Strategy and Operations Lead of a leading consulting firm, a Managing Partner of an independent consulting boutique, the Insurance Tax Lead of a leading consulting firm and four Project Managers of yet another consulting firm. THE FIRM hired all of these stakeholders for dedicated strategy and execution projects.⁶ We interviewed a Managing Partner and an Executive Director from two independent Executive Search firms mandated by THE FIRM.⁷ We interviewed the Chief Financial Officer, the Director Insurance and a Business Solutions Architect of the Slovak IT provider that THE FIRM mandated to develop a new IT infrastructure for the organisation.⁸ We interviewed two Full Professors from leading universities in Central Europe studying the phenomenon of ambidexterity.

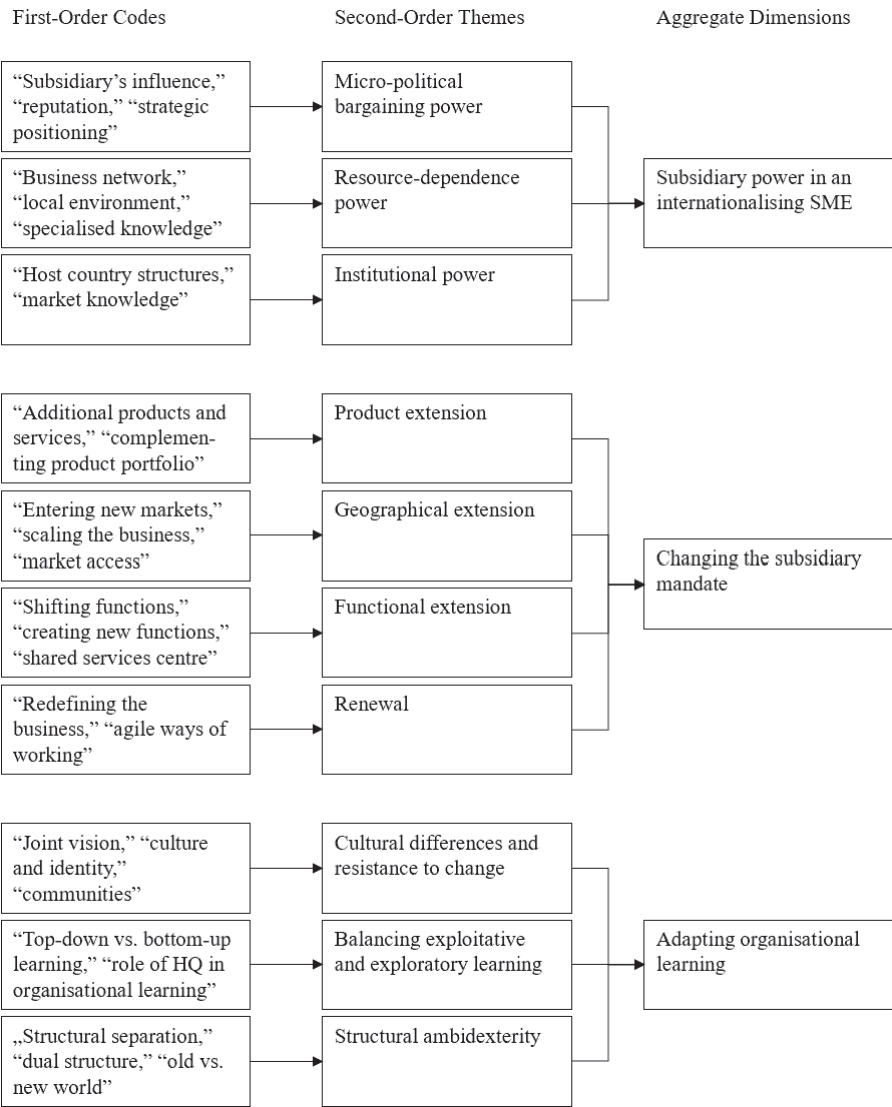
We obtained data from 36 interviewees. Table 2 illustrates the list of interview partners. The interviews took place between February and November 2019, usually on-site and typically lasting between 50 and 140 minutes. When possible, we conducted the interviews in the interviewee's native language (English or German). We received consent to tape-record and transcribe all interviews verbatim, to ensure reliability (Eisenhardt/Bourgeois 1988). Two professional service firms transcribed the interviews—one for those in English, the other for those in German.

Additionally, we observed interview partners and their immediate environment while interviewing them (Flick 2009; Yin 2003), and observed participants during two top management meetings. We took detailed notes and wrote memos to make sense of our observations. Furthermore, we screened archival materials, such as websites, company presentations and press releases (Yin 2003), and had access to internal documents, such as organisational charts, corporate strategy memos and newsletters. We also coded archival materials and the observations, using holistic coding. Instead of coding observations and archival materials line by line, we focused our coding on larger units of data (Miles et al. 2014). That allowed us to quickly grasp the sense of content and possible categories that developed in the more granular coding of the interviews. We switched back and forth between coding observations, archival materials and interviews, to ensure that the holistic codes we used for the observations and archival materials aligned with the codes we developed for the interviews. This process of switching back and forth between the different types of data also ensured that we could incorporate insights we gathered by coding the observations and archival materials in the interviews. Last, we triangulated our interview data with observations and archival materials (Flick 2009; Yin 2003), to help enhance accuracy and confirm that we reached the same conclusions through different data sources (Maxwell 2013).

Data analysis

We drew on established approaches for qualitative, inductive data analysis (Eisenhardt 1989; Glaser/Strauss 1967; Miles et al. 2014; Yin 2003). Overall, we collected 42.5 hours and 721 pages of interview transcripts, observations and archival materials. Multiple researchers developed initial codes from the interview data. The coders resolved disagreements through discussion. We developed second-order themes from our first-order codes (Strauss/Corbin 1998): For instance, we grouped statements about ‘subsidiary’s influence’, ‘reputation’ and ‘strategic positioning’ under the theme of ‘micro-political bargaining power’. Finally, we developed aggregate dimensions from our second-order themes (Strauss/Corbin 1998), terming them ‘subsidiary power in an internationalising SME’, ‘changing the subsidiary mandate’ and ‘adapting organisational learning’. Figure 1 illustrates our coding scheme.

Figure 1. Data structure

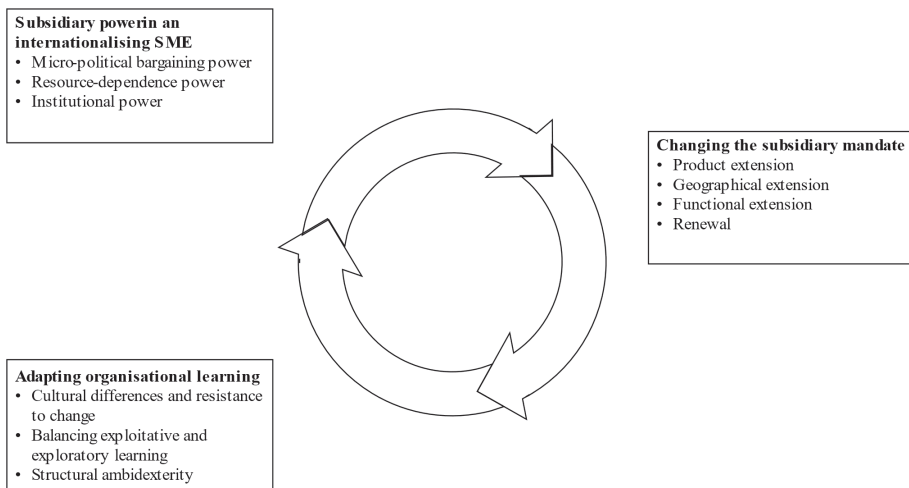


Findings

We outline how THE FIRM built and managed an internationalising, ambidextrous SME in CEE. We illustrate this process along three key dimensions we adapted from our coding structure. Figure 2 depicts our ambidexterity framework. First, we explore different types of subsidiary power in the internationalising SME. Second, we present four types of subsidiary mandate change. Third,

we elaborate on adapting organisational learning. These measures were critical to turning THE FIRM into an ambidextrous organisation.

Figure 2. Ambidexterity framework



Subsidiary power in an internationalising SME

Although the literature predominantly viewed subsidiaries of SMEs as entities with relatively weak power, we observed that both RUN-OFF and PROTECTION possessed considerable power compared to the corporate HQ. Our rich data helped us identify three distinct types of subsidiary power: micro-political bargaining power, resource-dependence power and institutional power.

Micro-political bargaining power

THE FIRM perceived technology as an enabler of change in its endeavour to transform itself from a pure run-off player to an integrated insurance provider. Similarly, PROTECTION aimed to introduce a standardised IT system that it meant to roll out in Central Europe following its successful implementation in the Czech Republic. ‘*They are building the technological cutting-edge IT solution in the European life insurance industry*’, according to the Group Chief Operating Officer. The objective of introducing a new IT system was an integrated IT backbone tailored to the needs of the different BUs. The new IT system would significantly simplify the work with complex insurance portfolios.

Playing their social and political skills, PROTECTION’s TMT convinced corporate HQ to give it responsibility for finding the right partner to develop the IT infrastructure. Screening the markets, PROTECTION identified significant (digital) potential in the Eastern European markets and found an IT provider

from Slovakia to develop a sophisticated IT system. The decision to introduce and roll out a new IT system improved PROTECTION's standing within the group considerably while also allowing it to acquire a state-of-the-art IT infrastructure to boost its business. The investment helped drive top-line growth and reduced operating costs, enhancing PROTECTION's bargaining power within the organisation.

However, improvements in reputation and group-wide legitimacy were not sustainable for PROTECTION because RUN-OFF could not easily implement the IT system. RUN-OFF operated a number of IT systems to handle several portfolio-management systems. They needed '*automation, so that you do not have five or six systems running in parallel*', according to its Chief Information Officer. RUN-OFF managed considerably more and different types of insurance contracts, many with highly complex structures. The IT provider did not manage to adapt its IT system to the complexity of RUN-OFF's business. These shortcomings kept RUN-OFF operating its old IT systems instead of migrating to the novel IT system.

To summarise, PROTECTION's subsidiary managers and employees used their social and political skills to enhance their subsidiary's influence. In other words, they engaged in social navigating (leveraging their social skills) and political manoeuvring (leveraging political skills) to influence the other BU or corporate HQ. These mechanisms confirm the prior findings of Conroy et al. (2019).

Resource-dependence power

First, when entering the Czech Republic, PROTECTION followed an open innovation approach, leveraging the network of independent partners to ensure high-quality solutions along the entire value chain (Chesbrough 2003). Instead of building everything from scratch, PROTECTION built an open-innovation platform that allowed other firms to join, aligning partners to contribute to the alliance, referred to as the 'best partner concept'. '*The best partner concept is definitely a new approach in the insurance markets in the Czech Republic and Slovakia*', said PROTECTION's Chief Distribution and Marketing Officer. Building such alliances to leverage the partners' strengths was a key driver of ambidextrous organisations in previous studies (Koza/Lewin 1998; Lavie/Rosenkopf 2006). Building on its TMT's professional network, PROTECTION could soon onboard firms to its open-innovation platform. One of the key business partners was the IT provider from Slovakia that ultimately built PROTECTION's new IT infrastructure. The open-innovation approach could function as a business model innovation because neither THE FIRM nor its BUs ever pursued such an approach. Also, the Czech insurance market had not seen that approach before. '*It is quite innovative because nobody in this market did it*

before us’, said the IT Provider’s Director Insurance. Second, THE FIRM’s scarce resources were a trait that it shared with many SMEs.

‘We are always lacking resources. But I like it. Sometimes, it is a bit schizophrenic because on the one side, I take care of finance and budgets, and on the other side, I solve office and people-related issues’ (Chief Operating Officer, PROTECTION).

Specific resources and (dynamic) capabilities to write new business were missing and had to be either acquired externally or built internally. For example, people with different capabilities were needed to run the business in Eastern Europe, particularly because it was entirely different from RUN-OFF’s. For instance, the roles of Chief Actuary and Chief Underwriting Officer—two critical roles in any insurance company—were not filled when we conducted our interviews.

‘As we are growing, we sometimes see that we need new functions, which we never thought of ... we recruit new people because someone has to take care of all our clients and the production’ (Chief Operating Officer, PROTECTION).

Third, PROTECTION addressed this issue by managing to hire skilled local labour in Eastern Europe, strengthening its operations considerably.

‘We are an InsurTech, which sounds like marketing speech, but it is not. Behind this is a story about the sharing of values. It is the customers, the brokers and the partners sharing the same values as we do. [...] In IT, we are working on different types of projects. Biometric signature is a hyped topic; it is number one. We are working on medical underwriting. If somebody is new to IT or insurance, that is a wonderful playground’ (Head of IT, PROTECTION).

At the same time, local people’s better integration into local communities and culture was of great help in enhancing PROTECTION’s business. Besides PROTECTION’s dedicated recruiting strategy, THE FIRM hired new CEOs to run the two BUs and motivate their employees.

‘Each BU CEO is a “leader of the pack”. Specifically, each leader is responsible for aligning his “pack” and for managing his BU. Leaders have to act as role models that lead the way and “live the change”. Additionally, each BU CEO must prepare his BU to generate new business’ (Group Chief Financial Officer, THE FIRM).

To summarise, resource dependency was created in three ways. First, by developing the platform for open innovation, PROTECTION leveraged its economic opportunities, which emerged in the local environment in Eastern Europe. Second, by building close relationships with local business partners, PROTECTION maximised the efficiency of its collaborative approach. Third, by hiring skilled labour, PROTECTION built up specialised knowledge and expertise. PROTECTION’s external network became an increasingly valuable asset for the BU from which it derived power (Birkinshaw/Ridderstråle 1999). Overall, HQ became more dependent on PROTECTION, whose power increased more than RUN-OFF’s.

Institutional power

Institutional power describes a ‘strong and sustainable power position [...] held by subsidiaries that can refer to institutional pressures when they are confronted with undesired HQ demands’ (Dörrenbacher/Gammelgaard 2011:39). Institutional power argues that institutional structures of the host country can be a source of strong and sustainable power for subsidiaries (Geppert/Williams 2006; Dörrenbacher/Gammelgaard 2011).

PROTECTION functions as a peripheral subsidiary, ‘situated away from the centre, both hierarchically and geographically’ (Birkinshaw/Ridderstråle 1999:153). For PROTECTION, the institutional structures of the Czech Republic and Slovakia were a clear advantage. PROTECTION’s founders were a team of insurance veterans from the Czech Republic and Slovakia, who wanted to create their own venture. These local managers were well-educated and possessed tremendous professional experience. Spending most of their careers in the insurance industry, they had considerable expertise, market knowledge and a vast business network. In particular, their close links with local businesses, such as insurance brokers, helped them to build PROTECTION from scratch.

‘The Swiss market is on a different level than the Czech market. People are spending 8,000 Swiss Francs per capita on insurance in Switzerland. In the Czech Republic, it is rather 300 Euros’ (Chief Operating Officer, PROTECTION).

Knowing the shortcomings of the Czech Republic’s social security system (Swiss Re Institute 2020), PROTECTION’s TMT designed life insurance products to bridge these gaps. At the same time, their network was crucial to developing a distribution structure for PROTECTION’s products. In Eastern Europe, insurance brokers usually sell insurance products. Insurance companies do not have direct access to end customers but need an intermediary to sell their products. Being well-connected in the Czech Republic helped PROTECTION to build that distribution network quickly. PROTECTION signed agreements with the largest brokers in the Czech Republic and went live 12 months after its founding—a development fostered by the institutional structures in Eastern Europe.

Changing the subsidiary mandate

A subsidiary mandate refers to a subsidiary’s participation in a business or one of its parts (Birkinshaw 1996): Subsidiary mandates are dynamic, changing in form over time, so we were particularly interested in mandate development, the ‘extension of a responsibility into related product, market, or functional areas’ (Birkinshaw 1996:471). We identified geographical, product and functional extensions and renewal as crucial parts of BU mandate changes.

Geographical extension

Since its foundation in 2012, THE FIRM has only operated the run-off business in Central Europe. Its geographical focus was solely on Switzerland and the Principality of Liechtenstein. To write new business, THE FIRM's objective was to target a promising market niche in a different country. Concluding that Eastern Europe offers great potential, it built an exploratory BU by establishing PROTECTION in the Czech Republic, to target an underserved market for life insurance. Considerable protection gaps in the social security systems exist particularly in Eastern Europe (Swiss Re Institute, 2020): These gaps are driven by government involvement, as well as economic, demographic and technological advancements (Maszczyk, 2020).

'We see it as a pilot that can be rolled out elsewhere. However, I would rather be sceptical for a market like Switzerland. Not so much because of the approach, but more from a social security systems perspective [...] If we look at countries with a protection gap, which needs to be tackled by every individual, then there is a lot of potential' (Group Chief Risk Officer, THE FIRM).

Offering a long-awaited and affordable product for low-income customers, PROTECTION's business model proved successful in the Czech Republic and overachieved on its ambitious sales goals within just a few months. Receiving utterly positive feedback from both clients and insurance brokers, PROTECTION expanded to Slovakia, due to the geographical proximity and similarity in social security systems (i.e. protection gaps) (Maszczyk 2020).

'The Czech and Slovakian markets still have some big potential [...] It is an educated market, a safe market' (Chief Distribution and Marketing Officer, PROTECTION).

Again, establishing a functioning distribution network was vital. PROTECTION's TMT built on its professional network in the region to quickly sign contracts with some of the most relevant insurance brokers in Slovakia. Eventually, PROTECTION developed a business model for low-income countries that it could easily scale and roll out elsewhere.

'We developed a time-to-market process that allows us to quickly enter different markets with our platform ... and we can bring services from one country to another through the global services hub' (Chairman, THE FIRM).

Product extension

PROTECTION was the first BU to sell its own product—RUN-OFF was only managing existing insurance contracts, not selling any. To enter the market in the Czech Republic, PROTECTION created a product innovation, developing a unit-linked life-insurance product targeted explicitly towards customers in Eastern Europe, offering an affordable solution to close the protection gap (Maszczyk 2020): The product was fully digital and flexible, easily adaptable to changing life situations anytime. There was no need to fill out lengthy documents to obtain insurance coverage, change personal details of an existing con-

tract or hand in claims. Furthermore, a biometric signature allowed customers to sign documents digitally, while an online portal for clients and partners (e.g. brokers) offered real-time data access to products and services, making managing personal finances effortless and convenient. Overall, THE FIRM boosted its technological competitiveness through this product innovation (Petrariu et al., 2013).

'You have to add some "spices" to the final product. You have to add something new. For example, the vector signature was absolutely new, nobody had it' (Chief Distribution and Marketing Officer, PROTECTION).

Functional extension

Although the businesses of RUN-OFF and PROTECTION differed considerably, they also shared some commonalities. Both had several similar processes and procedures. By harmonising these, they could leverage synergies. For this purpose, THE FIRM built a global services centre in the Czech Republic, to align, streamline and digitise processes they shared across BUs, to benefit the entire organisation. *'We built a shared services centre that serves as a service provider for all business units'*, according to the RUN-OFF General Counsel.

'You can realise significant cost savings given that they built the shared services centre to service the entire portfolio [...] and it is connected with the IT, which is already optimised' (Director Insurance, IT Provider).

By creating such a process innovation, THE FIRM deliberately broke the siloes of the two BUs and enabled them to benefit from common ground. With the help of the shared services centre, both BUs extended their initial functions. RUN-OFF became able to streamline and digitise many of its cumbersome processes, freeing much organisational slack. The shared services centre supported PROTECTION in defining flawless processes early on.

Another functional extension was the so-called *communities* that have been built to foster organisational learning across BUs. Communities are interdisciplinary families for each functional area (e.g. operations, IT, accounting) that enhance product/service development and improve product/service efficiency. In other words, communities are groups of people from similar functional areas across different BUs. Communities were among the key organisational-learning catalysts, comprising members from all hierarchical levels. Members of a community exchange knowledge; learning from experience allows organisations to establish, develop and refine their ambidextrous capabilities (Luger et al. 2018): The idea is that when people from the same functional area meet and discuss issues, they can find better solutions than they would on their own. Moreover, communities helped to foster information exchange between the BUs and strengthened group cohesion (Jansen et al. 2016).

Renewal

'I would say that if people do not feel the necessity to change, they are not convinced that some change is necessary. For them, it is a business model that has been working for ages; why should they change it?' (Chief Life and Investment Officer, PROTECTION).

When RUN-OFF acquired run-off portfolios from ceding insurers, in many cases it also had to acquire associated portfolio management systems. Thus, RUN-OFF had several IT systems running in parallel to manage its overall run-off portfolio. Because these systems had not been consolidated appropriately in the past, RUN-OFF's IT legacy made daily work complex, inefficient and inconvenient. At the same time, RUN-OFF deployed traditional project management approaches (e.g. waterfall method). Although operating in an IT environment, RUN-OFF did not manage its portfolio migrations from ceding insurers in an agile manner. THE FIRM's Chairman revealed, *'We solely did run-off, and thus 100 % exploitation'*. As such, THE FIRM was ripe for a major transformation, as its majority shareholder suggested:

'Even if we buy three or four run-off firms, RUN-OFF ultimately comes to an end. Our Chairman developed the idea to write new business. I liked the idea because it helps to turn the company into an integrated insurance firm' (Shareholder, THE FIRM).

Instead of only renewing the existing BU (i.e. RUN-OFF), THE FIRM did an organisational renewal to become an integrated insurance firm. For this purpose, it established PROTECTION to complement the exploitation-driven run-off business. While PROTECTION was the epitome of renewal, THE FIRM's overall shift also benefited RUN-OFF. For instance, PROTECTION worked in an agile manner, which seemed more appropriate given its ambiguous, startup-like environment. Eventually, PROTECTION's introduction of an agile way of working also spilt over to RUN-OFF, whose team experienced the merits of agile working and instantly adopted this approach, helping it renew its operational model.

Adapting organisational learning

Managing cultural differences and resistance to change

One of THE FIRM's key challenges was handling the different cultures inside the organisation. Organisational culture refers to the accumulated shared learning of a group; a strong culture can be a source of competitive advantage (Schein 1990). During our initial interviews, we perceived cultural clashes between the BUs. For instance, PROTECTION's CEO compared his BU to RUN-OFF.

'It is like animals in the zoo and outside. Animals in the zoo are fed. They have everything. Are they happy? No, they are not. We are outside. We have to hunt, we have to find a place to sleep, we have to find our friends, we have to protect our area. But we are happy because we are free. This is life' (Chief Executive Officer, PROTECTION).

Parts of these cultural differences originated from a ‘trust vs. control dilemma’.

‘There are always tensions: How much freedom do you grant, how much control should you exert? This is not a trivial thing’ (General Counsel, RUN-OFF).

THE FIRM suddenly had two BUs instead of only one, activating employees’ resistance to change. Some RUN-OFF managers and employees were suspicious of the unknown, a phenomenon also observed in other contexts (Birkinshaw/Ridderstråle 1999): As a result, RUN-OFF aimed to remain in control and instruct the new BU on what to do and how to run the business. Fearing a loss of power, the RUN-OFF team did not trust the new BU. The exact opposite was true for PROTECTION: *‘The trust from the guys in Switzerland and Liechtenstein was very important for us’*, said PROTECTION’s Head of IT.

Joint vision. To tackle cultural differences and resistance to change, THE FIRM developed a joint vision (Jansen et al., 2008) for both BUs, together with upper- and lower-level managers and employees, offering both BUs the opportunity to develop their own culture and identity and establish communities to foster collaboration and communication across BUs.

‘We wanted to create a strong company based on ownership. I believe that the weakest point of any big corporation is losing ownership. It must be my company. I need to be responsible for everything [...] Our goal is to have a profitable business, satisfied clients and satisfied brokers. And regardless of whether you are a lawyer, an IT guy, admin, you know what you should do to achieve that’ (Chief Executive Officer, PROTECTION).

A joint vision is one of the critical sources of ambidexterity (Tushman/O’Reilly 1996). To implement the vision, THE FIRM aimed to enable managers and employees across all organisational levels to become part of the change. To that end, THE FIRM decided not to dictate how to implement the change. Instead, it made employees understand the vision so they could best contribute to it (Jansen et al. 2008; Tushman/O’Reilly 1996). Insights into archival materials revealed the fine-grained communication strategy to communicate the vision. Moreover, new employees joined THE FIRM because of its compelling vision, which connected people and cultures.

‘The overall vision had been mostly clear, but there are also many points where I can help shape the organisation. And that is what had been tempting. You do not simply have to implement others’ ideas, but you can contribute to and design the vision of this new organisation’ (Chief Executive Officer, RUN-OFF).

Additionally, PROTECTION’s COO mentioned that *‘it is not only me; it is the whole team. I would say that we have the same vision.’* While attending two top management meetings, we experienced the RUN-OFF and PROTECTION teams sharing an overall vision because they were fully aligned on their organisational objectives. Informal talks with employees confirmed that they shared the vision across all levels of the organisation.

Culture and identity. Given the considerable cultural differences between the BUs, and to manage cultural differences and tackle the ‘trust vs. control’ issue, THE FIRM did not want to force its BUs to adopt a single corporate culture. Instead, each BU was allowed to develop its own culture and identity. While many firms may develop one global corporate culture to replace countries’ local cultures (Geppert/Williams 2006), our insights demonstrate that THE FIRM allowed, even fostered the BUs’ developing individual cultures and identities.

‘It is a question of the values and the cultures. But we are able to find a solution every time’ (Head of IT, PROTECTION).

These local cultures and identities functioned as a driver of an ambidextrous mindset across BUs (Henderson/Van den Steen 2015; Tripsas 2009). THE FIRM granted subsidiary leadership teams the flexibility and autonomy to individually manage and develop their BUs. The Group CFO illustrates this thinking:

‘It is the task to live entrepreneurship at the local level, at the business-unit level. I believe there are enough examples in the corporate world, where providing the business units freedom leads to business success ... we do not want to dictate everything from the corporate headquarters’ (Group Chief Financial Officer, THE FIRM).

Communities. Communities helped to ensure organisational learning by enhancing collaboration and communication across BUs. THE FIRM’s Chairman framed it: ‘What we want to achieve is that RUN-OFF adopts approaches, processes and cultural aspects from the exploration team.’ Bringing together people from the same functional area allowed THE FIRM to strengthen group cohesion. Also, by collaborating with their peers from other BUs, employees and managers benefited, as RUN-OFF adopted agile methods from PROTECTION, and PROTECTION adopted proven structures and processes from RUN-OFF.

Balancing exploitative and exploratory learning

Firms must balance exploitative and exploratory learning to become ambidextrous (Levinthal/March 1993). While a positive relationship exists between ambidexterity and innovation (Adler et al. 1999; Rothaermel/Alexandre 2009), firms struggle with exploratory learning—particularly insurance firms. One key reason is that the insurance industry is doing well, despite predominantly focusing on exploitative learning. Their economic success enables many insurance firms to avoid having to foster exploratory learning to become more innovative.

‘Change may take a little longer in an industry that is still doing relatively well than in an industry already up to its neck in water’ (Executive Director, Executive Search).

The second reason is that the insurance industry largely lacks research and development (R&D) departments, a primary driver of innovation. Consequently, insurance firms do not appear innovative (The Institutes 2020): Triangulating interview data, observations and archival materials, we learnt that initially,

THE FIRM was far from thriving on exploratory learning. Running the daily business fully occupied its TMT, and requiring employees to create innovations amidst business-as-usual activities and duties overwhelmed them. Managers and employees had to balance exploitative and exploratory learning to turn THE FIRM into an ambidextrous organisation. As THE FIRM's Chairman framed it:

'The necessity to transform the organisation and the sense of urgency to break new ground had not been present in the past [...] I believe that the timing was crucial. We knew that we would have ended up in big trouble if we had not adapted the organisation' (Chairman, THE FIRM).

Consequently, THE FIRM strongly focused on innovation through PROTECTION—e.g. business model innovations (Petrariu et al., 2013), process and product innovations. Continuous exchanges between BUs fostered learning. Innovation was a continuous trial and error process, both a top-down and a bottom-up process. For instance, RUN-OFF's CEO mentioned, *'We encourage bottom-up ideas [...] employees get more and more responsibility and can decide much more independently'*. Managers and employees were encouraged to use their social and political skills to gain power and autonomy to make their own decisions (Conroy et al. 2019).

'The business units work like small independent companies. They are allowed to make independent decisions, as long as they are not hazardous for the balance sheet or the legal carrier. We have given even more sovereignty to the business units. But, of course, we still want the business units to learn from each other' (Chief Executive Officer, RUN-OFF).

Structural ambidexterity

Given the BUs' different functions, mindsets, external domains (Lawrence/Lorsch 1967), competencies, processes and cultures (O'Reilly/Tushman 2008), THE FIRM's Chairman separated exploitative from exploratory BUs. Because RUN-OFF was mainly exploiting while PROTECTION was primarily exploring, establishing a dual focus easily implemented such a structural separation.

Further, dynamic capabilities help firms to reconfigure and reallocate organisational assets and resources (O'Reilly/Tushman 2008; Teece et al. 1997). THE FIRM combined capability-building (i.e. balancing exploitation and exploration) and capability-shifting (i.e. adapting the exploration-exploitation balance) processes (Luger et al. 2018): For this purpose, involving employees at all levels of the organisation was essential.

'We have to manage peoples' expectations. We need to be open, honest and transparent. We need to show them in which direction we are heading. Those steps are not only valuable to implement ambidexterity, but they are essential. From my point of view, you cannot lead an organisation in which people do not know where the organisation is heading' (Group Chief Operating Officer, THE FIRM).

As Table 1 shows, the proportion of employees writing new business increased compared to the number of employees involved in the run-off operation, where

the number of employees decreased. As part of its market-seeking mandate, THE FIRM moved some of its existing capabilities (i.e. employees) into unserved product and market areas, by offering them the opportunity to switch from RUN-OFF to PROTECTION (Birkinshaw 1996).

THE FIRM switched between a focus on exploitation and a focus on exploration, depending on its external environment and boundary conditions. For instance, RUN-OFF focused heavily on exploiting its core business. However, organisational learning and adaptation enabled it to also focus on exploration, e.g. implementing agile methods.

'In the technology part of the firm, we are working in an agile mode. We have sprints, we have backlogs created by the product owners, and we know how much we spend, what the target is, when it will be done, what the issue is and what is the lesson learnt. It is all about methodology. It is easy and helps to measure progress' (Head of IT, PROTECTION).

PROTECTION benefited from regular exchanges with RUN-OFF's TMT, during which it learnt how to increase operational efficiency and, thus, exploitation. Switching between capability-shifting and capability-building modes helped THE FIRM endure phases of discontinuous change and overcome evolutionary times (Luger et al. 2018). Structural separation adequately equipped RUN-OFF and PROTECTION to face the distinct needs of their environment. In other words, THE FIRM could reap the returns from dynamically shifting between contexts.

'We are considering every BU if we need to adapt something, whether on HR, targets, or strategy, so that exploitation and exploration can occur simultaneously' (Chairman, THE FIRM).

After creating structural ambidexterity, THE FIRM's Chairman aims to implement contextual ambidexterity in a subsequent step, to enable BUs to simultaneously exploit and explore (Gibson/Birkinshaw 2004). Instead of separating exploitation and exploration, contextual ambidexterity bundles both organisational learning capabilities within a single BU.

Discussion

Theoretical implications

We conducted qualitative research to develop a new understanding of ambidexterity within the framework of CEE and an internationalising SME. We offered valuable insights into a less researched geographical area, namely, Eastern Europe. Drawing on interview data from stakeholders within and outside of THE FIRM and triangulating these data with observations and archival materials, we provide a comprehensive picture of how ambidexterity unfolded and was managed.

Our paper contributes to the literature in three ways. First, it provides a better and more granular understanding of how an internationalising SME built and

managed ambidexterity (Zimmermann et al. 2018), emphasising two aspects. We extend the work of Zimmermann et al. (2018) by outlining ambidexterity's implementation. Zimmermann et al. (2018) identified two key components, the initiation and the implementation of ambidexterity. While these authors shed light on how ambidexterity was initiated, we focused on the latter, illustrating how ambidexterity was implemented. We also explore the development of two geographically dispersed BUs in CEE, addressing the call to consider international settings in ambidexterity research (Raisch/Birkinshaw 2008). Previous studies mainly explored how ambidexterity unfolded in a single firm and, thus, often in a single country. We validated the management of this process in a cross-border setting. Thus, THE FIRM's internationalising component was critical to addressing this call.

Our second contribution is the light we shed on how the BU leadership teams changed their subsidiaries' mandates (Birkinshaw 1996) to balance exploitation and exploration. We conclude that PROTECTION's *micro-political bargaining power* was neither strong nor sustainable. Because RUN-OFF could not use the new IT infrastructure, HQ overruled its implementation, curbing PROTECTION's increased temporary bargaining power. PROTECTION's *resource-dependence power* was quite strong, given its partner network for open innovation, market knowledge and embeddedness in both the Czech Republic and Slovakia. In other words, PROTECTION created and developed critical resources for success. These circumstances also positively affected THE FIRM's overall performance, evident in the increasing revenues in the Czech Republic and Slovakia, PROTECTION's core markets. We also believe that PROTECTION's resource-dependence power was sustainable because the BU can benefit from its resources long-term (Dörrenbacher/Gammelgaard 2011). Like resource-dependence power, PROTECTION's *institutional power* was strong and sustainable. PROTECTION used host countries' institutional structures to build a competitive advantage, which usually remains stable over time (Dörrenbacher/Gammelgaard 2011). The advantages are many and include a high level of education of local managers and employees, a close local professional network and links with local businesses. However, this finding should be taken with a grain of salt. In their work, Geppert and Williams (2006) find advantages of local embeddedness only for subsidiaries in Germany. Conversely, subsidiaries in the UK did not share the same benefits. In the UK, local actors did not have the same supportive institutional setting, which ultimately helped the German actors to resist proposed global change management measures and renegotiate more favourably with HQ. As our analysis covering the Czech Republic and Slovakia's institutional contexts compared them to the HQ in Switzerland, findings might differ if we investigated different countries and their institutional structures.

Our third contribution is demonstrating how capability-shifting and capability-building processes were combined to balance exploitative and exploratory

learning (Luger et al. 2018). Our perspective on ambidexterity also considers BUs transition between phases of exploitation and exploration (Raisch/Tushman 2016). To move away from a top-down learning approach that merely targeted exploitation and create structural ambidexterity, THE FIRM engaged in capability-building processes that balanced exploitative and exploratory learning. However, from time to time, its TMT had to adapt the exploitation-exploration balance. We argue that THE FIRM required dynamic capabilities that helped to reconfigure and reallocate organisational assets and resources across its dispersed BUs (O'Reilly/Tushman 2008; Teece et al. 1997). By establishing PROTECTION, THE FIRM transitioned from a centralised to a decentralised structure, a key source of ambidexterity (Tushman/O'Reilly 1996). THE FIRM's TMT abandoned the notion of centralised headquarters. Instead, each BU was to act independently and autonomously: *'I do not see headquarters. I feel that we are all on the same level'* (Chief Operating Officer, PROTECTION).

THE FIRM managed its capability-shifting and capability-building processes smartly. It acquired run-off portfolios to foster its exploration endeavour. Building exploratory business helped THE FIRM transition from a pure exploitation strategy to a more balanced and sustainable approach to organisational learning that combined exploitation and exploration. Creating innovations and identifying new strategic opportunities became fundamental notions of THE FIRM's exploration activities. Highlighting the beneficial boundary conditions for subsidiary mandate change, we outlined how subsidiary mandates developed along four different types: product extension, geographical extension, functional extension and renewal. The freedom and autonomy that corporate HQ granted were particularly crucial for the subsidiaries to develop their mandates. We showed that the subsidiaries' organisational and environmental contexts largely shaped their mandate change (Birkinshaw 1996). We found that the subsidiaries' high level of autonomy enabled them to allocate dedicated resources to new strategic opportunities. On the one hand, we identified that the high levels of autonomy that corporate HQ granted were one source of growth. In that vein, the corporate HQ and local actors collectively learnt how to develop new ideas and mandates. On the other hand, the subsidiaries also leveraged growth opportunities by building on their distinct capabilities. Overall, mandate change processes were both top-down and bottom-up.

Our third contribution is particularly relevant in light of THE FIRM's size and resource constraints. We extend the work of Lin et al. (2007) by outlining the advantages of ambidexterity for an SME. That study primarily considered larger firms, neglecting the more common type of firms, the SMEs. Thus, we complement these authors' work by choosing an SME instead of a larger firm on which to focus our analyses. Previous studies also looked at companies with more resources than THE FIRM (Cao et al. 2009; Sidhu et al. 2004). However, resource constraints are a key characteristic of smaller firms, such as

SMEs. Accordingly, we extend the work of Cao et al. (2009) and Sidhu et al. (2004), outlining how ambidexterity benefits firms with considerable resource constraints, and how such firms can become ambidextrous despite their scarce resources.

Managerial implications

This research provided valuable new insights into how an exploitation-driven SME can implement exploratory activities to eventually become ambidextrous. We believe that our findings will be helpful for managers in knowledge-intensive service organisations, such as financial services (Junni et al. 2013). Historically, financial services providers exploited their core business and, therefore, lacked a focus on exploration. Financial services firms could build additional income streams through exploration activities, enhancing growth (He/Wong 2004), performance and survival (Junni et al. 2013; Levinthal/March 1993; Lubatkin et al. 2006; Tushman/O'Reilly 1996). Also, the insights we gathered from THE FIRM's BUs illustrate examples that could help managers in dynamic environments implement an ambidextrous orientation (Simsek et al. 2009). Facing environmental dynamism, organisations must continuously renew themselves to remain competitive and sustain themselves over time. While in stable environments, organisations may be better off pursuing either exploitation or exploration, whereas an ambidextrous approach is favourable in unstable environments (Lin et al. 2007).

Limitations and future research

Our study has some limitations that offer avenues for future research. We illustrated a single case study (Siggelkow 2007) by demonstrating how an insurance SME implemented exploratory activities in Eastern Europe, to complement its exploitation business in Central Europe and eventually become ambidextrous. Because we focused on a single case in a single industry, creating ambidexterity could differ for other firms or firms in other industries. Thus, future research that investigates the implementation of ambidexterity in other organisational, functional and geographical contexts will extend knowledge in the field.

We argue that there is no one-size-fits-all approach to finding the 'right' degree of ambidexterity. Instead, ambidexterity is rather context- and organisation-specific. While some organisations might be better off with structural ambidexterity, others benefit more from contextual ambidexterity. Both forms come with merits and drawbacks. At THE FIRM, each BU developed its idiosyncratic implementation strategy to achieve structural ambidexterity. Further research could enhance our understanding of when and how to align and manage structural and contextual ambidexterity to create optimal organisational outcomes.

Pursuing exploitation and exploration simultaneously can become very costly, due to their distinct mindsets (Smith/Tushman 2005) and organisational structures (Tushman/O'Reilly 1996). To date, literature that delves into the costs of achieving ambidexterity is scarce. Agreeing with O'Reilly and Tushman (2013), we argue that organisations must identify if and when the benefits outweigh the costs of implementing ambidexterity. The costs of implementing the necessary processes and systems are ambiguous and may deter organisations from becoming ambidextrous. Despite assumptions that the benefits outweigh the costs of implementing ambidexterity (Gibson/Birkinshaw 2004), we encourage researchers to explore when and under what conditions the benefits of ambidexterity outweigh its implementation costs.

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Appendix. Coding evidence

Second-Order Theme	Evidence in First-Order Codes
Aggregate Dimension: Subsidiary Power in an Internationalising SME	
Micro-political bargaining power	<p>‘It is mainly about the Czech and Slovakian part of this. But we have to keep the communication with the more formal part of the organisation. Because trust is based on money at this moment, and number one priority for us is to save money, to avoid business risks’ (Head of IT, PROTECTION)</p> <p>‘We are on one side. But you know that somebody covers your back. You can ask them when there is a problem. You can call them. It is not a family, but they give you shelter’ (Chief Operating Officer, PROTECTION)</p> <p>‘When we have calls with the colleagues from Switzerland and Liechtenstein, my understanding is that they understand that we are part of their activity, not ours. Our project is part of their activity’ (Head of IT, PROTECTION)</p> <p>‘I would say that there is a different understanding. From our side, we do not think of them as the headquarters. Our experience is more that everything we needed had to be done by ourselves. There are some areas where we were asking for some help. And these areas are typically areas in which we did not move forward at all [...] Maybe their view is different. They see themselves as headquarters because we are just a branch of them’ (Chief Life and Investment Officer, PROTECTION)</p> <p>‘The level of acceptance for some new things on their side will depend on how and if it can help them in their role and position. If I approach the CFO and tell him that he will save a lot of money by introducing e-communication with customers by developing dedicated portals for customers and the level of self-service would increase at the same time, it can be more interesting for him than just telling him that we created something trendy and cool. We need to offer some benefits for the people on the other side, which can help them in their role to make it cheaper or more effective. It has to make their lives easier or better, or successful’ (Chief Life and Investment Officer, PROTECTION)</p> <p>‘I would say that that is a speed boat. Of course, they move faster and have a small, agile team. We are more like a bigger ship that just moves slowly [...] And simply this difference, regardless of culture, naturally, leads to conflicts’ (General Counsel, RUN-OFF)</p> <p>‘We simply realised that we have to create a certain hierarchy – whether it is signatures or signing authority. Of course, this is always a very sensitive issue on both sides. How much trust do we give in advance, how much control do you have? How will our colleagues in</p>

	Eastern Europe deal with it if we have too much control?’ (General Counsel, RUN-OFF)
Resource-dependence power	<p>‘There are plenty of ways how to onboard people. You can use money. You can use pressure. But the easiest way is to have common goals. For example, with our IT service provider, our common goal is to have as many contracts as possible because their fee is based on the number of contracts. Thus, they want to have a good system, good portals, to proceed a lot of contracts and receive their fee’ (Chief Executive Officer, PROTECTION)</p> <p>‘I would say that we are fully dependent on external partners (e.g. the brokers): I really believe that the distribution is crucial. We can have the best product on the market, but without distribution and the right distribution capacity, we will not be able to succeed [...] But I saw in the past that they are not loyal. So the situation can change quickly. I think we can fix everything in terms of the programs, processes, and people. But the distribution is not fully under our control’ (Chief Life and Investment Officer, PROTECTION)</p> <p>‘I think that we can inspire one another. We can inspire them and they can inspire us. It is absolutely obvious’ (Chief Financial Officer, IT Provider)</p>
Institutional power	<p>‘It is very difficult for us to prioritise and have sufficient resources to work on it’ (General Counsel, RUN-OFF)</p> <p>‘The Czech and Slovakian markets are developing fast, really fast. Sometimes, I tell myself it is too much. But I am not able to control the speed of the market development, so that is why we have to adapt’ (Chief Distribution and Marketing Officer, PROTECTION)</p> <p>‘I understand that they want to understand it, but they do not have the experience with such a business. Not just writing new business, but also the specifics related to the Czech and Slovakian markets. Being under pressure, we need answers immediately. So quite naturally, they ask for more time to analyse, understand and consult. And there is a natural clash; it is not compatible’ (Chief Life and Investment Officer, PROTECTION)</p> <p>‘I believe that it is the right decision to try something in Eastern Europe because the need for insurance is certainly greater than in Western Europe’ (Chief Information Officer, RUN-OFF)</p>

Aggregate Dimension: Changing the Subsidiary Mandate

Product extension	<p>‘We cover the risk of an accident. If you are going on vacation, you will be able to increase your coverage because you might do some risky sports. Using the technology, we offer you a new premium for the time of your vacation. Once back, you can reduce the coverage again’ (Head of IT, PROTECTION)</p> <p>‘A new feature we have is the so-called vector signature. Usually, in the Czech Republic, you have to sign an insurance contract with a pen, print the document, sign it, scan it, and send it back to the insurance company. It is a long way. We have a high-tech solution where you do not have to print anything and do not have to send</p>
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a scan. With the vector signature, you can use whatever hardware with a touch screen. It does not matter if this is an iPad, a mobile phone or a notebook. Customers can sign with their fingers or with a plastic pen. We are immediately able to sign the contract without a lot of paperwork required' (Chief Distribution and Marketing Officer, PROTECTION)

'My role is to design a product with the right balance between allocating profits between customers, distributors, and shareholders. I need to be sure that what I design will be competitive. That means that distributors are interested in the product, there is value for customers, and in the end, we will make some profit' (Chief Life and Investment Officer, PROTECTION)

'There is a high level of individualisation of the product. So you can define what coverages you want [...] From my perspective, it is a solid base for the customer in terms of customer value. But where I would like to differentiate ourselves are the processes so that they are easy to deal with. It is about simplicity. To have digital communication channels to be able to reflect the needs of the customers easily' (Chief Life and Investment Officer, PROTECTION)

Geographical extension

'We are proud that we can build the business here. This is important for us because if we had built the business in Switzerland, it would not have been our child [...] We feel very special' (Chief Operating Officer, PROTECTION)

'We kept working with the same people we knew – with the same brokers and companies. We had a good idea to push into the market. And whenever we did not have a good solution, we would get it from the best partner concept' (Chief Distribution and Marketing Officer, PROTECTION)

'There are a few factors that make you question whether Liechtenstein is the ideal place to headquarter an insurance company. From a regulatory point of view, this is clearly a "yes". However, does it make sense to have operations here, too? I doubt it. I think that in five years, we will have less employees here simply because it is not profitable anymore and can no longer be justified' (Group Chief Operating Officer, THE FIRM)

Functional extension

'The network partners are always ready to help us. I know that I can rely on them' (Chief Operating Officer, PROTECTION)

'It is necessary to have a shared services centre that provides services for certain functional areas' (General Counsel, RUN-OFF)

'What is new for us in the Czech Republic and Slovakia is that the software is also operated there. We have to see if that works' (Chief Investment Officer, RUN-OFF)

'Of course, it makes sense to have the operational hubs where it is most cost-effective' (Group Chief Risk Officer, THE FIRM)

Renewal

'We created the weekly highlights with a lot of pictures – also with private stuff. The highlights were shared with all people in the organisation. It was really a big thing. People even approached me and

asked if they could be part of the highlights' (Chief Operating Officer, PROTECTION)

'The weekly highlights were not so much about information – because we have regular content updates. It was about conveying the "how". How does the company look like by the end of the year [...] You would never see any private things in the communications of a big corporate. You would never read anything about the "how". You would read about figures and projects, milestones and regulations [...] We wanted to do it differently. We wanted to touch people emotionally' (Chairman, THE FIRM)

'When we speak to our partners, it is very important to persuade them that they should be innovative as well' (Chief Executive Officer, PROTECTION)

Aggregate Dimension: Adapting Organisational Learning

Cultural differences and resistance to change

'The vision is to create an opportunity, a new company, new services, new hope. If you do not feel that all the people are in the same mood and want to be part of it, the vision does not mean anything to me. For me, the vision is about the team' (Chief Operating Officer, PROTECTION)

'When I was in Switzerland, it was a cultural shock. I was there for a training and it was shocking [...] It was a completely different situation, a completely different lifestyle, and a completely different understanding of the work-life balance. Almost everything was different compared to our country' (Head of IT, PROTECTION)

'When I came to Liechtenstein, my first question was, "Is it not killing people – to manage run-off portfolios?" I would be dead within two months because there is no future, no new things, nothing' (Chief Executive Officer, PROTECTION)

'Sometimes, I sent an email on Thursday. On Friday, I did not have an answer from Liechtenstein. So I sent another email [...] And our Chairman was telling me that I may get an answer within a few days. However, I do not have a few days, I need an answer right now' (Chief Executive Officer, PROTECTION)

'I think that it also depends on the extent to which people are willing to change. You must not forget that for many people, it is a huge step in their personal development. So the point is more about that they fear the change [...] We had a certain fluctuation because many employees did not want to go along with this change. Perhaps it was too dynamic for them, or we felt that these were not the employees with whom we wanted to shape the future' (General Counsel, RUN-OFF)

'... to respect each other, that both ways of working, both cultures, actually have their right to continue to exist' (General Counsel, RUN-OFF)

Balancing exploitative and exploratory learning

'When I was in Zurich, I met a lady I did not know. The lady stopped me and asked whether I was from the Czech team. She wanted to know more about us and what we were doing. I was surprised by

her enthusiasm and her interest [...] I have been in touch with another colleague, who is teaching me German' (Chief Operating Officer, PROTECTION)

'I understand them because it is the money they are generating. But I am sure that we are not spending this money. We are investing this money for the future. From a content point of view, they manage run-off portfolios, where they just keep the fire. They farm. And we are hunters. We are creating things for the future [...] This company needs a long-term project, and run-off is not a long-term project. It is something that generates money but is decreasing. The run-off portfolio is decreasing. You have to find a way how to fuel the engine. So I think that we are bringing something new to this system. Of course, the challenge is to keep the mood, and the emotions, and to transform these dreams into tangible results. And it must be seen, otherwise we lose their confidence and our self-confidence' (Chief Executive Officer, PROTECTION)

'The first way to convince people is to demonstrate that something is working and has some business potential. They typically reacted in a way that we were only playing and experimenting. It is very costly and they had to work in their traditional model to finance our crazy ideas, which eventually might not work. The second point is capacity planning. I usually saw that people have their business-as-usual tasks and, on top of that, should spend some time on innovations. So why should these people work more, sacrifice their spare time, and devote their time to some extra activities' (Chief Life and Investment Officer, PROTECTION)

'A roadmap for putting new developments in place for the whole portfolio. By roadmap, I mean a plan that is managed systematically by a common board, a plan that is supported by some budget spent on innovations to increase the value of this ecosystem' (Director Insurance, IT Provider)

Structural ambidexterity

'Major changes only come top-down [...] Bottom-up contributions are barely happening. But there is no institutionalised process that would promote it in any form' (General Counsel, RUN-OFF)

'That does not mean that we are centralising. We simply exchange more with each other. So that the different locations and their possibilities can be used optimally' (Chief Information Officer, RUN-OFF)

'Until two years ago, this was more or less the run-off business, which was difficult enough. But now, there is another dimension to it, the new business [...] I am also very much looking forward to that because I would have been open to new business in the past. And this is something I missed' (Chief Information Officer, RUN-OFF)

'When we started the new business with protection, which is a different product category, in a different market with different mechanisms – for instance, sales mechanisms and social security systems, with a different legal landscape – it is hard to identify synergies at first glance' (Group Chief Operating Officer, THE FIRM)