Ambidexterity in the Creative Industries: Mediating the Impact of Business Model Innovation on Organizational Performance

Balancing Novelty and Efficiency for Competitive Edge in Creative Ventures

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Abstract

This thesis examined whether organizational performance was influenced by business model innovation and ambidexterity, and how ambidexterity moderated the relationship between business model innovation and organizational performance within creative industries. To find out the relationship between these variables, a quantitative empirical study was conducted, utilizing a survey among 74 advertising firms in The Netherlands. A multiple regression model was applied to study the relationships between the variables. The findings included that none of the variables had a statistically significant impact on organizational performance in this study. The rejection of all hypotheses may have been due to the sample size and context. This research challenges existing knowledge based on ambidexterity and business model innovation theories and structures of analysis. Finally, this research provides a structure for future empirical research of business model innovation, ambidexterity, and the moderation relationship of ambidexterity on business model innovation in relation to organizational performance.

Introduction

Background

The symbiotic relationship between innovation and creative industries is widely recognized, as creative industries thrive on innovation, and innovation frequently results from creativity (Berg, 2016; Florida, 2003; Garnham, 2005; Matheson, 2006). Firms in these industries exploit or create intellectual property in a variety of fields, including advertising, architecture, arts, crafts, design, film, music, and performing arts (Berg, 2022; DCMA, 2001; Townley et al., 2009). This thesis focuses on creative industries and the innovations found there.

Innovation in the creative industries is motivated by the desire of organizations to improve organizational performance, whether this be in financial, efficiency, or market capacity terms (Birkinshaw et al., 2008; Christensen, 1997; Leppänen et al., 2023; Markides, 2006; Schumpeter, 1942; Teece, 2010). As found by Amit and Zott (2001), the success of innovations is dependent on four factors, which are novelty, efficiency, lock-in, and complementarity. However, a recent study by Leppänen et al. (2023) showed that firms should take into consideration that novelty alone is not enough to provide a competitive advantage, although it does provide for a strong indicator of initial success for innovations.

Although there are many different kinds of innovations, which are often interlinked and may overlap in some ways (Birkinshaw et al., 2008; Christensen, 1997; Markides, 2006; Teece, 2010), this thesis focuses on Business Model Innovation. Business model innovation was defined by Teece (2010) as a

novel way to create value for businesses utilizing existing capabilities and assets by turning these into new products, services, and/or market segments. Expanding on this concept, Clauss (2017) developed a framework for researching business model innovation, which includes value creation, value capture, and value proposition innovations. Value creation in business model innovation is determined by a firm's knowledge and capabilities, technical resources, integration of new processes, and improvements of internal processes. Value capture includes a long-term focus and reducing production costs. And finally, value propositions are analyzing customer needs, addressing underserved markets, improving sales channels, and utilizing contemporary innovations and technologies to improve customer retention.

Markides (2006) emphasizes the necessity of product and business model innovations, asserting that disruptive business-model innovations, technical innovations, and product innovations, each enhance organizational performance by enlarging a firm's markets, although each in their unique ways. Furthermore, he asserts that innovations should be researched separately due to the distinct nature and impacts of different types of innovations. Following this reasoning, business model innovation will be researched separately in this thesis from other kinds of innovation.

Business model innovation has been researched for almost two decades, although most papers on this topic focused on the effect of business model innovation on organizational performance (e.g. Casadesus-Masanell & Zhu, 2013; Zott & Amit, 2007). As Markides (2006) stated, business model innovation transforms the way a business originally created a competitive advantage, be it redefining products and services, creating or leveraging new market segments, or reconfiguring business processes. Although business model innovations change the industry landscape, it is said that the market share gained is only marginal compared to the traditional way of doing business in a particular industry (Markides, 2006). It is therefore concluded that business model innovation has a positive effect on the performance of organizations, although some discussions remains to how much, considering business model innovation's marginal impact on the market share improvement (Markides, 2006).

Many creative firms struggle to sustain their initial success due to resource constraints (Landoni et al., 2020). The exploitation and scaling of initial innovative ideas, often created by smaller entrepreneurial or explorative organizations, are a necessity for the survival and feasibility of execution of innovations (Landoni et al., 2020; Markides, 2006). Based on this, it can be derived that business model innovation's exploration and organizational performance improvement is dependent on a firm's ability to exploit these, which could be explained by an organization's dynamic capabilities (Chen, 2017; Lange et al., 2009; O'Reilly & Tushman, 2008; Stettner & Lavie, 2014). Therefore, the ability to

effectively exploit and scale innovative ideas, supported by strong dynamic capabilities, is essential for creative firms to sustain long-term success.

Ambidexterity and dynamic capabilities literature show that firms should simultaneously pursue both exploration of new opportunities and exploitation of existing capabilities to achieve long-term success and adaptability (Chen, 2017; Lange et al., 2009; O'Reilly & Tushman, 2008; Stettner & Lavie, 2014). Besides exploration and exploitation, environmental uncertainty has been shown to be a moderating factor to the strength of the relationship of ambidexterity on organizational performance (Gibson & Birkinshaw, 2004; Kafetzopoulos, 2020). A stronger uncertainty of a particular firm's environment translates to an increased effect of ambidexterity on organizational performance (Kafetzopoulos, 2020). Therefore, this thesis will take into account the exploration and exploitation capabilities of organizations, as well as their environmental uncertainties.

The notion that creative firms should be capable of both exploitation and exploration is supported by Berg (2016, 2022), who found that sustained success in creative industries can be attributed to initial innovations and the forecasting of innovative success. Whilst product and process innovations have been extensively researched (e.g. Adner & Kapoor, 2010; Amit & Zott, 2001; Leiblein & Matsen, 2009; Shan et al., 1994), this thesis focuses on business model innovation, since it is important to find out the relationship between ambidexterity and business model innovation in order to understand the interplay between the two theories and their effect on sustained organizational performance.

Innovation in creative industries is especially important, since firms operating in this environment are often exploring new opportunities and ideas (Markides, 2006; Sundbo, 2011). One of the advantages that creative firms often prefer to retain is their agility, which can be noticed by means of average creative firm size, which is often on the smaller end (Markides, 2006). When businesses grow larger, they often lose their agility, and grow rigid instead due to the increased bureaucratic burden (Chen, 2017; Lange et al., 2009; O'Reilly & Tushman, 2008; Stettner & Lavie, 2014). However, many creative firms fail due to a lack of funding or exploitation of their innovations (Landoni et al., 2020). Therefore, this research setting within creative industries may provide interesting theoretical and practical insights on how these theories may help these smaller creative firms to retain their agility, whilst simultaneously increasing their survivability in the long-term.

Gap development

Still, business model innovation in creative industries remains scantly studied (Landoni et al., 2020). A recent study by Micheli and Jansen (2023) exploring the implications of managerial learning and performance orientations on business model innovation within the creative industries showed that, among others, environmental dynamism plays a role in business model innovation. Environmental

dynamism requires adaptation to the external environment of an organization, which may be turbulent due to changes, uncertainty, and unpredictability of, for example, stakeholders and their demands (Micheli & Jansen, 2023). Although this study focused on business model innovation in creative industries, it was mostly focused on the antecedents of business model innovation.

Landoni et al. (2020) explored how creative firms utilized business model innovations, and found that business model innovation is a tool for creative firms to overcome their resource constraints throughout their lifecycle. This seems especially important for creative firms, since according Sundbo (2011), creative firms lack business skills and experience due to their focus on creative freedoms. Rozentale and Van Baalen (2021) did a qualitative analysis of creative service firms to analyze how business model innovation creates and captures value in creative industries, concluding that business models can be crafted over time by accommodating paradoxes through managerial decisions, thereby creating and capturing value. Thus, novel business models in the creative industries are useful to create and capture value, and created through paradoxical concessions by managers and influenced by the environment. Further research on the performance of business model innovation within creative industries is warranted, particularly given that business model innovation has been extensively studied in other sectors (Foss & Saebi, 2017). However, its examination remains limited within the context of creative industries (Landoni et al., 2020) and in combination with ambidexterity literature (Foss & Saebi, 2017).

The positive relationship of ambidexterity on organizational performance has been widely researched (e.g. Kafetzopoulos, 2020; Lubatkin et al., 2006; Raisch & Birkinshaw, 2008), as well as the positive effect of business model innovation on organizational performance (e.g. Casadesus-Masanell & Zhu, 2013; Zott & Amit, 2007). However, these concepts have not been researched together, even though the concepts are intertwined. Combining ambidexterity literature with business model innovation literature may yield interesting results due to vast similarities between them, as noted by Markides (2013). As dynamic environments are unpredictable and inherently risky, a tradeoff between efficiency and flexibility exists due to the unpredictability and risk inherent in the environment (Davis et al., 2009). To achieve long-term success in organizations, Markides (2006) argued that creative organizations have traditionally relied on smaller entrepreneurial firms to maintain flexibility and creativity, with the result that creative firms remain small to keep this advantage. In contrast, larger and more inert incumbent businesses may find strength in scaling and efficient production, necessitating a focus on resource allocation. However, the notion that organizations cannot do both has been proven untrue; according to ambidexterity literature, organizations must both explore and exploit to meet environmental changes, and therefore they must be dynamically capable (Chen, 2017; Lange et al., 2009; O'Reilly & Tushman, 2008; Stettner & Lavie, 2014). Being dynamically capable may

also lead to sustained competitive advantage, and thus organizational performance (O'Reilly & Tushman, 2008). Therefore, this thesis strives to cover this gap in literature, and bring together both ambidexterity and business model innovation knowledge within creative industries and uncover the effect of ambidexterity on the relationship between business model innovation and organizational performance.

Research Question

Due to environmental dynamism, it has become increasingly important for managers and industry stakeholders alike to find out how to further maintain competitiveness, adapt to market changes and competitors, and sustain their competitive advantage within the creative industries. This thesis will provide empirical evidence in the field of strategic management, innovation, and creative industries, such that it may lay the foundation for further research on innovation within the creative industries, its impact on organizational performance, and the effects of ambidexterity within organizations. Therefore, the primary research question guiding this study is: *What is the effect of ambidexterity on the relationship between business model innovation and organizational performance?*

Relevance

The concepts of business model innovation and ambidexterity have been rarely researched together (e.g. Khanaga et al., 2014; Markides, 2013), even though the concepts are intertwined (Khanaga et al., 2014; Markides, 2013). Khanaga et al. (2014) utilized qualitative methods, whereas Markides (2013) discussed its implications. Therefore, it could be said that the literature of this combination is lacking. This may be due to the similarities of the two theories, as Markides (2013) mentioned in his paper. Moreover, the context of creative industries provides an environment where innovation and creativity are inherently present. Thus, there are many research opportunities in this field, of which this paper will make use of, and therefore, this study aims to progress both ambidexterity and business model innovation literature, as well as find practically relevant findings for creative industries and the progression of organizational performance within creative industries.

As it is said that business model innovation increases organizational performance, it will be interesting to find out if this holds true within the advertising industry. Before, such a creative firm, like a advertising organization, must lean towards either the exploration stance of smaller, entrepreneurial, free and creative, or the large, incumbent, scaling organization types, and therefore either rely on buying up creative ideas or selling these off to companies able to exploit them efficiently (Markides, 2006). However, according to ambidexterity literature (Chen, 2017; Lange et al., 2009; O'Reilly & Tushman, 2008; Stettner & Lavie, 2014), firms can do both exploration and exploitation, meaning that the effects of dynamic capabilities may improve business model innovation and jointly contributes to

organizational performance increase. Thus, the results of this thesis may also deliver management outcomes to be utilized in a practical sense.

The following chapters will explain the main concepts in further detail within the literature review, thereby creating hypotheses for testing the assumptions made. Then, we move onto the methodology section, which outlines the way how this thesis conducts its research, including the measurement process of its dependent and independent variables. Then finally, the analysis methods will be explained.

Conceptual Model

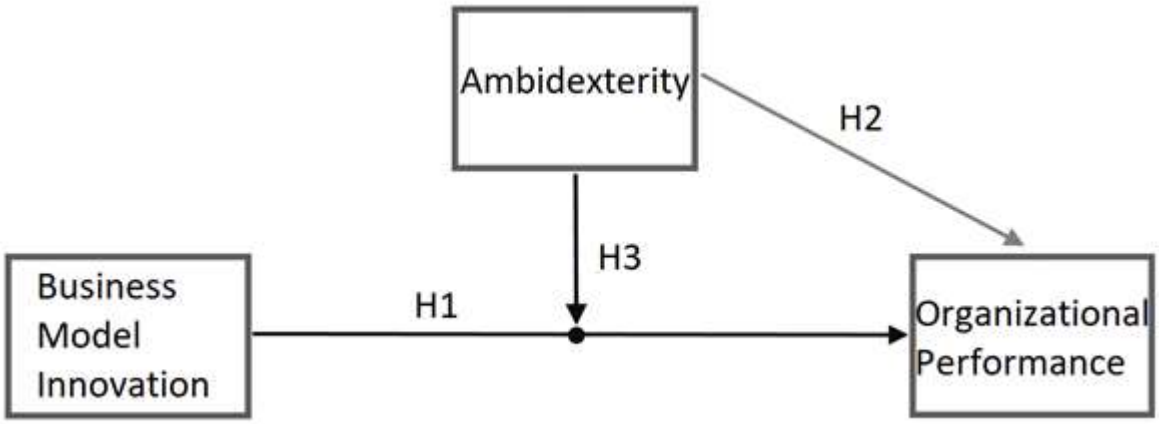


Figure 1. Conceptual Model

Literature Review

Business Model Innovation and Creative Industries

As stated in the introduction, creative industries include advertising, architecture, arts and antique markets, crafts, design, designer fashion, film and video, interactive leisure software, music, performing arts, publishing, software and computer services, and television and radio (Berg, 2022; DCMA, 2001; Townley et al., 2009). Although there is some discourse on the terminology of the creative industry due to the fact that culture and information industries, such as arts, innovation, and media, are closely related to it, the term creative industries are generally accepted (Garnham, 2005). This thesis utilizes the term creative industries as a broad range of sectors that primarily create value for its customers or otherwise contribute to society by producing creative works and/or intellectual property.

Markides (2006) mentioned that creative businesses, such as the film, arts, and music industries, have traditionally relied upon business models where novel creations are generated by the smaller, more flexible firms, whilst big incumbents execute and exploit these ideas. This plays off the strengths of both the entrepreneurs and the incumbents able to scale, instead of both having to stray too far from their wheelhouse. Thus, the collaboration between small innovators and large incumbents drives the sustained success and growth of creative industries (Markides, 2006).

Diversity and creativity were found as the basis for driving innovation (Florida, 2003; Matheson, 2006). Within creative industries, cultural, social, and economic entrepreneurship are combined into new economic models (Matheson, 2006), which Garnham (2005) found to have significant value to firms through generation of export products, such as arts, media, and information. Moreover, Berg (2016) found that creativity and innovation's success could be forecasted by experienced managers within creative industries, who can predict whether innovations may be successful and sustainable long-term, although the prerequisite for this is that the predictor has access to divergent and convergent analytical skills. Thus, within creative industries, driving innovation and sustaining long-term success of innovations depend on diversity, creativity, and the ability of managers to forecast through their divergent and convergent thinking skills (Florida, 2003; Matheson, 2006; Garnham, 2005; Berg, 2016).

Business model innovation is applicable to creative industries as well, according to recent studies (Landoni et al., 2020; Li, 2020). Landoni et al.'s (2020) research in creative industries shows that business model innovation may help creative firms overcome resource constraints. These are often found in creative firms, which often stay smaller due to these resource constraints. Landoni et al. (2020) note that after creative firms reaching maturity, new creative ideas are generated to stay competitive through platforms. This is in line with Li's (2020) findings, who found that creative firms

of all sizes create multiple different business models within one organization's portfolio. From these findings, it is concluded that business model innovation is becoming more and more important, especially for creative firms, to mitigate their resource constraints and develop multiple business models within one organization (Landoni et al., 2020; Li, 2020).

Business Model Innovation and Organizational Performance

It has been long concluded that business model innovation is a driver of organizational performance (Casadesus-Masanell & Zhu, 2013; Teece, 2010; Zott & Amit, 2007). Business-model innovation involves reconfiguring existing business processes in novel ways, redefining products and services and how they are provided to customers instead of being discovered anew (Markides, 2006). Another way Business Model Innovation was described by Teece (2010) was as a way an organization delivers value to customers, acquiring compensation for doing so, while also keeping costs low to create a revenue stream. Without this, an innovator will not be able to effectively deliver or capture value from their innovations. Thus, organizations must innovate their business models to stay ahead of the competition (Teece, 2010).

As previously mentioned, business models may be innovated, and new business models that differ from existing ones used by incumbent organizations may lead to competitive advantage due to targeting different customer bases or creating new ones (Markides, 2006; Christensen, 1997; Teece, 2010). A robust business model is created through differentiation and efficiency in comparison to other business models, as proposed by Teece (2010). Moreover, it was found by Amit and Zott (2001) that sustained competitive advantage of business models are dependent on their novelty, complementarity, efficiency, and lock-in, meaning that these are the indicators of a successful business model innovation. Further, Leppänen et al. (2023) found that novelty alone is not enough to sustain competitive advantage in business model innovations, which indicates that complementarity, efficiency, and lock-in must also be present in some form to achieve sustainability of business model innovation success. Thus, sustained competitive advantage in business model innovation must include a combination of novelty and either complementarity, efficiency, and/or lock-in (Amit & Zott, 2001; Leppänen et al., 2023; Teece, 2010).

Business model innovation leads to increased organizational performance in organizations by creating new ways to deliver value to customers through new products, services, or targeting new market segments, or by improving their existing products and/or services (Casadesus-Masanell & Zhu, 2013; Khanagha et al., 2014; Markides, 2006, 2013; Teece, 2010; Zott & Amit, 2007). Business model innovation leverages an organization's existing resources and capabilities, which allows it to adapt to its external environment and better meet customer needs (Casadesus-Masanell & Zhu, 2013;

Khanagha et al., 2014; Markides, 2006, 2013; Teece, 2010; Zott & Amit, 2007). Not only does this often provide an organization with revenue growth, profitability, and market capitalization (Casadesus-Masanell & Zhu, 2013; Teece, 2010), it may also disrupt current business practice within the industry, improving industry competitiveness (Markides, 2006). Thus, business model innovation increases organizational performance through improving revenues, profitability, and market competitiveness (Casadesus-Masanell & Zhu, 2013; Khanagha et al., 2014; Landoni et al., 2020; Li, 2020; Markides, 2006, 2013; Teece, 2010; Zott & Amit, 2007).

Managers within a firm may choose to utilize business model innovation proactively or as a reaction to a changing business environment, and may change their business model in a modular or architectural way (Foss & Saebi, 2017). To do so, a firm must alter its value capture, value creation, and/or value proposition by means of innovating at least one of these dimensions (Clauss, 2017). In practice, first the current business model must be analyzed, after which ideas must be generated to try and find a solution to the current problems within the organization. Then, the most promising ideas for altering value streams are tested within a simulated environment, after which the results may be interpreted, and the final business model innovation is selected. Finally, the business model innovation must be implemented and executed, after which the previously generated scenario's may or may not become reality. The uncertainty of business model innovations are inherent, although risks taken can often be mitigated somehow, depending on the contextual factors (Foss & Saebi, 2017). Further adaptations to problems after realization of the business model innovation, both foreseen and unforeseen, may be required to successfully implement the innovation.

Business model innovation in creative industries serves as a catalyst for organizational performance through improving a firm's value creation, market expansion, efficiency improvement, competitive advantage, and adaptability (Amit & Zott, 2001; Casadesus-Masanell & Zhu, 2013; Foss & Saebi, 2017; Landoni et al., 2020; Li, 2020; Teece, 2010; Zott & Amit, 2007). As Landoni et al. (2020) and Li (2020) described, organizations in creative industries may especially benefit from business model innovation through mitigation of resource constraints and allowing for multiple business models under one organization. Further, Clauss (2017) created a model to research the impact of business model innovation on organizational performance, which includes factors such as value creation, value proposition, and value capture, each with their own sub-constructs. Value creation is based on new capabilities, new technologies and equipment, new partnerships, and new processes. Further, value proposition is based on new offerings, new customers and markets, new channels, and new customer relationships. And finally, value capture is based on new revenue models and value cost structures. Therefore, applying Clauss' (2017) model to research business model innovation's improvement on organizational performance may hold true in creative industries. Hence:

H1. Business model innovation leads to an increase in organizational performance in creative industries.

Ambidexterity and Organizational Performance

Ambidexterity was conceptualized as the degree to which firms balance their explorative and exploitative operations (Chen, 2017; Gilbert, 2005; Kafetzopoulos, 2020; Lange et al., 2009; Liao et al., 2018; O'Reilly & Tushman, 2008; Stettner & Lavie, 2014). It has been found that ambidextrous firms outperform their competitors through being able to maintain profits by exploiting their current business model, whilst simultaneously looking for new opportunities for future revenue generation (Fourné et al., 2019; Lavikka et al., 2015). This is because too much exploitation may lead to firms focusing on short-term gains and thereby leaving the organization at risk of rigidity, whereas too much exploration may lead to bankruptcy due to not successfully implementing a business model (Chandrasekaran et al., 2012). Thus, firms should explore and exploit simultaneously to increase organizational performance (Chandrasekaran et al., 2012; Chen, 2017; Fourné et al., 2019; Gilbert, 2005; Kafetzopoulos, 2020; Lange et al., 2009; Lavikka et al., 2015; Liao et al., 2018; O'Reilly & Tushman, 2008; Stettner & Lavie, 2014).

As Markides (2006) mentioned, the strengths of smaller entrepreneurial firms and larger incumbents should be utilized efficiently, instead of, for example, having incumbents try their luck at innovating or having small firms utilize their limited resources on exploitation of existing competences. According to Davis et al. (2009), it is better for organizations to rely on structure for entrepreneurial and incumbent organizations. However, in unpredictable environments, it is generally better for organizations to find a niche strategy based on unique performance advantages. Doing so requires a low-to-medium structure based on a simple rules strategy to remain flexible. Turbulence in the environment can be easily found in creative industries, reinforcing the importance of flexibility in this context (Landoni et al., 2020; Li, 2020). Thus, ambidexterity was theorized to be an important component of organizational performance in creative industries.

To get these dynamic capabilities, organizations must sense, seize, and reconfigure as part of the organization's adaptation and response program for changes in the environment (Chen, 2017). Chen (2017) further supports the notion of Gilbert (2005) that exploitation and exploration business units should be separated, alongside with having business-unit level explorative and exploitative culture, as well as project-level sequentially exploring and exploiting. Stettner and Lavie (2014) argued that incumbents should rely on incremental innovation, and exploration business units on acquisitions, whereas both can utilize alliances to gain dynamic capabilities. Again, it was argued that these acquired exploration units should remain autonomous, just as Gilbert (2005), O'Reilly and Tushman

(2008), and Chen (2017) mentioned. Lange et al. (2009) argued that when disruptions occur in the environment, firms should measure their impacts and decide to intervene or ignore these innovations. If they are to intervene, it was suggested that new firms should be created and left alone to explore that particular new innovation, since autonomy is one of the prerequisites of a successful exploration unit. Thus, with dynamic capabilities, it is possible for incumbents to remain innovative and flexible whilst simultaneously exploiting their core business through separating their business units into exploitative and explorative functions, thereby increasing the organization's competitive advantage. However, Fourné et al. (2019) argued that this separation is ill-suited for service firms due to the fact that an integrated organization provides a superior customer service, whereas high-tech firms thrive on separation of exploitative and explorative structures due to complexity and efficiency benefits within that particular industry. Separating business units of service firms would disrupt the interaction between the firm and its customers, reduce flexibility required in this field to adapt to customer feedback, reduced operational knowledge sharing, employee role confusion and inefficiencies, and a reduction of service quality (Fourné et al., 2019). Therefore, it is theorized that structural autonomy and/or separation may be unhelpful for creative firms, who often deliver a service to its customers.

Ambidexterity literature tends to agree that in more uncertain environments, organizations ought to be dynamically capable of both exploration and exploitation (Chen, 2017; Gilbert, 2005; Lange et al., 2009; O'Reilly & Tushman, 2008; Stettner & Lavie, 2014). According to Gilbert (2005), inert incumbents can free up resources through perceiving outside threats, which decreases resource rigidity but increases routine rigidity. To counteract the increase in routine rigidity, the author suggests creating new, autonomous ventures to stimulate innovation and relax routine rigidity. O'Reilly and Tushman (2008) found that organizations that possess dynamic capabilities are able to both explore new opportunities and exploit existing competences, countering inertia for incumbents, letting them embrace disruptive innovations, and leading to sustained competitive advantage. However, the problem with creative firms is that they remain small and flexible, which is the flipside of rigidity, causing these firms to be unable to exploit and potentially ruining their chances of success in maintaining competitive advantage (Landoni et al., 2020; Markides, 2006). Therefore, ambidexterity may also serve creative organizations that must branch into more exploitative structures whilst maintaining their flexibility to explore new innovations (Landoni et al., 2020; Markides, 2006). Hence;

H2. Ambidexterity leads to an increase in organizational performance in creative industries.

Business Model Innovation and Ambidexterity

Within creative industries, most findings relate to the value of novelty, which is often found in business model innovation literature (Foss & Saebi, 2017). As shown by Berg (2022), initial efforts in diverse

and novel innovation within creative industries was paramount to the sustained success of its creators. A more creative inventor is more likely to create a diverse portfolio, which leads to a higher likelihood of producing hits, after which their niche can be exploited for sustained success (Berg, 2022). Another factor of sustained success in the creative industry is the required creative forecasting skills necessary (Berg, 2016). A creator must be able to apply both divergent and convergent thinking, meaning idea generation and evaluation must be present in creative innovation. Thus, in order to attain sustained success as an organization practicing business model innovation within creative industries, it must have foresight and experience.

However, in their most recent study, Leppänen et al. (2023) demonstrate that novelty alone is insufficient to sustain a competitive advantage. Drawing on Amit and Zott's (2001) four value creation factors, they argue that additional value drivers must be present for novelty to positively affect sustained competitive advantage. Therefore, firms must possess the ability to exploit novel ideas, including business model innovations, in order to sustain their initial success. Organizations must both be able to exploit existing competencies and explore new opportunities at the same time in order to remain competitive (O'Reilly & Tushman, 2008), whilst also innovating new business models within the organization to remain competitive and drive advantage (Landoni et al., 2020; Li, 2020). Thus, organizations should find that ambidexterity helps drive their business model innovation, increasing the effectiveness of their organizational performance overall, which is especially relevant in creative industries (Khanagha et al., 2014; Landoni et al., 2020; Li, 2020; Markides, 2013).

Previous studies combining business model innovation and ambidexterity literature either focused on how ambidexterity could help business model innovation's dilemma between two differing business models in a literature study (Markides, 2013), and a longitudinal qualitative study on emergent changes in a business model of the IT industry (Khanagha et al., 2014). The results of both these studies were that it is possible for organizations to have both an existing business model and a new business model concurrently (Khanagha et al., 2014; Markides, 2013). Therefore, the conclusion is drawn that an organization with dynamic capabilities may experience an increased effectiveness of their business model innovations due to the fact that ambidexterity helps an organization to both exploit their current business model as well as diverge into other possible business models simultaneously (Khanagha et al., 2014; Markides, 2013).

As previously discussed, the effect of business model innovation on organizational performance can be derived from a number of factors, such as improvement of a firm's value offering, adaptability, customer engagement, collaboration, monetization, and/or efficiency (Amit & Zott, 2001; Casadesus-Masanell & Zhu, 2013; Foss & Saebi, 2017; Landoni et al., 2020; Li, 2020; Teece, 2010; Zott & Amit,

2007). This is due to the changes in a firm's external environment, which are constantly happening through the dynamic environment that is influenced by competitors and other influential changes in the industry landscape due to disruptions (Davis et al., 2009). Ambidexterity literature also focuses on how firms may overcome changes in its business landscape by remaining agile and profitable, which is a paradox most firms must cope with (Chen, 2017; Gilbert, 2005; Lange et al., 2009; O'Reilly & Tushman, 2008; Stettner & Lavie, 2014). This is done through separation of exploration and exploitation business units (Chen, 2017; Gilbert, 2005; O'Reilly & Tushman, 2008), letting these business units operate autonomously (Stettner & Lavie, 2014), and respond to disruptions accordingly (Lange et al., 2009). However, in service firms, it is recommended to do the opposite, meaning exploration and exploitation structures should be kept together (Chandrasekaran et al., 2012). Therefore, it is hypothesized that when altering a firm's business model through business model innovation, maintaining structural integrity of exploration and exploitation business units may play a role in strengthening the effect of this business model innovation on organizational performance in creative firms that offer services. Moreover, as Landoni et al. (2023) stated, this may be especially helpful in creative industries due to a creative firm's resource constraints being relieved through business model innovation, as well as Li's (2020) theory that multiple business model may be necessary to achieve a sustained competitive advantage in creative industries, increasing organizational performance.

Ambidexterity may improve the impact of business model innovation on firm performance through improving a firm's adaptability in short- and long-term business model development in creative industries (Landoni et al., 2020; Li, 2020). Since business model innovation is about novel value creation, proposition, and capture, it is theorized that a long-term mindset may improve the strength of the business model innovation, whilst retaining the current business model for short-term exploitation (Khanagha et al., 2014; Markides, 2013). Therefore, exploration and exploitation in firms may enhance business model innovation's impact on organizational performance, as both theories improve organizational performance (Casadesus-Masanell & Zhu, 2013; Chandrasekaran et al., 2012; Chen, 2017; Fourné et al., 2019; Gilbert, 2005; Kafetzopoulos, 2020; Khanagha et al., 2014; Landoni et al., 2020; Lange et al., 2009; Lavikka et al., 2015; Li, 2020; Liao et al., 2018; Markides, 2006, 2013; O'Reilly & Tushman, 2008; Stettner & Lavie, 2014; Teece, 2010; Zott & Amit, 2007). Hence:

H3. Ambidexterity increases the effect of business model innovation on organizational performance in creative industries.

Methods

This section explains how this thesis conducted its research. To find out what the impact of business model innovation and ambidexterity on organizational performance was, as well as the moderating effect of ambidexterity on the relation between business model innovation and organizational performance, a quantitative research was chosen for this thesis. Quantitative analysis was chosen for its generalizable results, as well as provide a better understanding of the relationship between variables. Moreover, the strength and impact of the variables in question could be measured numerically, retrieving more information on how business model innovation, ambidexterity, and organizational performance relate to each other.

Data Collection

Primary data collection was selected as the method of data collection, since this was deemed as the most reliable source of information, and the focal group for this study, namely Dutch advertising agencies, do not post the required information for studying this thesis' variables publicly. By utilizing Clauss' (2017), Kafetzopoulos' (2020) and Liao et al.'s (2018) methodologies, a hybrid questionnaire was created to research independent variables business model innovation's and ambidexterity's impacts on dependent variable organizational performance (see appendix A). A questionnaire-style survey was created and distributed through Qualtrics, of which the question answers took form of a Likert-scale of 1-7.

Sampling

Firms were found through a website containing the top Dutch advertising agencies, which were then assessed manually for eligibility for participation in this research. The surveys were distributed through e-mail, which contained an introductory story to the research and a link to the online survey platform. Potential respondents were first emailed, and after no response, called to ask if they were interested in participating in the survey, after which most likely the e-mail was sent again, which provided a lot more response. After some time of yet no response whilst seemingly receptive over the phone, a reminder was sent out through e-mail again. In total, 245 advertising firms were contacted for participation in the survey, of which 71 (29%) filled out surveys, whereas 58 (82%) were useable due to missing data. Although the response rate was lower than the expected goal of 100 responses, much effort went into calling each individual firm and e-mailing. Thus, no further action could be taken to improve the response rate, taking into account the time constraints for analysis and discussion, and the perceived decline of the offer to fill out the survey through non-response by these firms.

Analysis Method

Before the analysis, the gathered data was prepared through checking for missing data and outliers. This was done through manually checking which surveys were completely filled out, as well as a boxplot test for outliers (Hair et al., 2019). The data analysis was conducted with help of the software SPSS. Further, a multiple linear regression was used to check the strength of the relationships between the dependent and independent variables. This required the assumption that homogeneity of variance occurred in the dataset, there was independence of observations, normality was assumed, as well as linearity (Hair et al., 2019).

As previous research on the topics of both independent variables, business model innovation and ambidexterity, on the dependent variable, organizational performance, were conducted in a quantitative setting, this thesis strives to imitate this approach, since the results generated from these papers seemed suitable for this purpose (e.g. Kafetzopoulos, 2020; Liao et al., 2018). Moreover, Clauss (2017) brought forth a quantitative structure for measuring business model innovation, as an attempt to standardize quantitative research in this area. However, previous research on the topics of the interaction effect of ambidexterity on business model innovation (e.g. Khanaga et al., 2014; Markides, 2013) did not utilize a quantitative analysis. But, it was theorized that a quantitative analysis would be more suitable for the purpose of this thesis, especially since the qualitative analyses lacked generalizability and conclusive results.

Ethical Considerations

Due to ethical considerations, the information gathered was not shared outside of the Radboud institution, but it was partially shared with the participants in a more confidential manner by striking names or other personal information from the shared results document. Participants were informed beforehand of the implications of the survey and will be asked to give their consent to share their information with the researcher, which may be retracted at any point.

Dependent Variable (Organizational Performance)

First, organizational performance was measured based on organizational growth, market capacity, and profitability (Kafetzopoulos, 2020; Liao et al., 2018). For organizational performance, survey questions were created according to Kafetzopoulos' (2020) and Liao et al.'s (2018) works (see appendix A), where financial performance and competitiveness were deemed as the most relevant sources thereof, as utilized by Kafetzopoulos (2020) and partly used by Liao et al. (2018), since they utilized the latent variable 'business performance'. Thus, these questions from their surveys measuring organizational performance, which largely overlapped, have been consolidated into financial performance and competitiveness.

Independent Variable (Business Model Innovation)

Secondly, business model innovation was measured within organizations. Clauss (2017) created such a framework to measure business model innovation in organizations as an attempt to generalize the measurement of this theory. Their findings are to be utilized in this paper to measure the business model innovation in advertising agencies, including a Likert scale questionnaire. In their paper, Clauss (2017) showed that there are three sub-constructs that ought to be measured, which are value creation innovation, new proposition innovation, and value capture innovation.

As for operationalizing the three sub-constructs, the following subjects were used. For value creation innovation, new capabilities, new technologies and equipment, new partnerships, and new processes. For new proposition innovation, new offerings, new customers and markets, new channels, and new customer relationships. And finally, for value capture, new revenue models, and value cost structures. However, Clauss (2017) mentioned that it may be better to rely on second order dimensions when researching enabling effects. Thus, survey questions were constructed on the basis of value creation innovation, value proposition innovation, and value capture innovation, as prescribed by the author (Clauss, 2017), to measure business model innovation (see appendix A). Only the highest loading factors per researched question within Clauss' (2017) paper were used, one for each variable belonging to each factor, were placed in this thesis' survey to be certain of their validity.

Moderator Variable (Ambidexterity)

Then, ambidexterity was measured. Based on the results of Kafetzopoulos (2020) and Liao et al. (2018), a theoretical construct for measuring ambidexterity in organizations can be utilized. The authors found that organizational ambidexterity can measured through latent factors exploration and exploitation, which can be sub-constructed into factors like explorative innovations and exploitative innovations. Explorative innovations include pioneering innovations, as well as striving towards developing unique value creation. Exploitative innovations on the other hand deliver more incremental improvements, such as process innovations and cost reductions. These factors were extracted from survey questions similar to those asked in Kafetzopoulos' (2020) and Liao et al.'s (2018) papers (see appendix A).

Control Variable (Firm Size, Environmental Uncertainty)

The control variable organizational size and environmental uncertainty were added to examine the confounding effects within the sample. To find out a firm's size, closed questions will be asked at the start of the questionnaire with ranges relating to questions to find out if the firm in question could be considered small, medium, or large. This is done by means of asking the respondent about their opinion of the firm like amount of employees, yearly turnover, and total assets, which are derived

from the MKB's (2023) determination of firm size (see appendix A). Environmental uncertainty was found to be a moderator in Kafetzopoulos' (2020) work, and thereby included in the analysis as a control variable, since more uncertain environments may increase the strength of ambidexterity in organizations due to the necessity of it for a firm's survival.

Results

In this section, the results of this research are described. First, the descriptive statistics are shown to clean the data and check for potential outliers. Then, the internal validity of the results are assessed, after which the most important correlations between the variables are discussed and the assumptions for regression tested. Finally, the hypotheses are tested, after which the outcomes of these are described.

Descriptive Statistics

In Table 1, the descriptive statistics of the variables are summarized using the cleaned dataset. The mean value of the dependent variable Organizational Performance (*M* = 5.11, *SD* = 1.003), independent variable Business Model Innovation (*M* = 5.12, *SD* = .792), and moderator variable Ambidexterity (*M* = 5.18, *SD* = .637) were relatively high. Therefore, the means are right-centered. The control variable Firm Size (*M* = 1.09, *SD* = .362) consisted of 55 (94.8%) small firms, 1 (1.7%) medium firms, and 2 (3.4%) large firms (*N* = 58). Thus, the mean for Firm Size is vastly left-centered. Lastly, the second control variable Environmental Uncertainty (*M* = 4.93, *SD* = 1.138) showed that for most firms surveyed, environmental uncertainty was relatively high.

To detect outliers, a boxplot test was performed (Hair et al., 2019). Upon further examination of the standardized scores of the dependent and independent variables (Hair et al., 2019), Organizational Performance had one case, Business Model Innovation had one case, and Ambidexterity had no cases that had a z-score lower than -3. Thus, only few outliers were found in the dataset. To determine whether these cases need be excluded, skewness and kurtosis of the variables were contrasted (Hair et al., 2019). The skewness including the outlier of Organizational Performance (-1.145) and kurtosis including the outliers of Organizational Performance (2.044) and Business Model Innovation (1.022) were outside of the desired range of – 1 and + 1. Excluding these outlier cases significantly improved skewness and kurtosis of the variables, so that each value was within the desired range. Thus, two cases, specifically case 11 and 58, were excluded from further analysis.

Table 1.

Descriptive Statistics

	N	Mean	Std. Deviation	Skewness	Kurtosis	Min.	Max.
Dependent Variable							
Organizational Performance	56	5,174	0,896	-0,669	0,203	2,75	6,875
Independent Variables							
Business Model Innovation	56	5,195	0,686	0,113	0,061	3,7	7
Ambidexterity	56	5,201	0,620	-0,186	-0,439	3,769	6,462
Control Variable							
Organizational Size	56	1,089	0,368	4,407	19,215	1	3
Environmental Uncertainty	56	4.969	1.086	-.380	-.945	3	6.75

A multiple regression analysis was performed to ensure that the results of this research are internally valid and reliable. To assess the factor validity of the measurement model, a linear regression function was utilized. The measurement model was specified where all items loaded on their corresponding factors, of which eight loaded onto Organizational Performance, ten loaded onto Business Model Innovation, and nine loaded onto Ambidexterity. The model fit was assessed using the aforementioned, where the proposed model adequately fits the data. In Appendix B, a table is presented with the factor loading for each variable.

Furthermore, a reliability analysis was performed to ensure the reliability of the dependent and independent variables. This analysis showed that Organizational Performance (Cronbach's α = .823) and Business Model Innovation (Cronbach's α = .726), and Ambidexterity (Cronbach's α = .709) within the acceptable range of Cronbach's α = >.700. This indicates that all variables can be considered as reliable, upon which deleting items would not substantially improve Cronbach's alpha on any of the variables. In Appendix B, the standardized factor loadings are summarized.

Correlations

The correlations between the dependent, independent, and control variables are shown in Table 2. Business Model Innovation (r = .409, p = .002) and Ambidexterity (r = .397, p = .002) were positively and significantly correlated with the dependent variable, Firm Performance. This indicates that higher values of Business Model Innovation and Ambidexterity are associated with higher Firm Performance. Additionally, Business Model Innovation and Ambidexterity (r = .674, p < .001) were also found to be

strongly correlated, suggesting a strong association between these two concepts, possibly due to complementarities and similarities.

Unfortunately, Ambidexterity as a moderator variable (r = .198, p = .143) did not show a significant correlation with the dependent variable, Organizational Performance, although there was a correlation with Ambidexterity (r = .315, p = .018). Another correlation was found between Ambidexterity and Environmental Uncertainty (r = .323, p = .015), indicating that more ambidextrous companies may be more frequently found in uncertain environments within this sample. Finally, the control variables Size (r = -0.17, p = .211) and Environmental Uncertainty (r = -0.07, p = .610) did not show significant correlations with Organizational Performance, suggesting that these factors do not appear to be associated with a firm's performance within this sample of advertising firms.

Table 2.

Correlations between Variables

Variables	1	2	3	4	5	6
1. Organizational Performance	-					
2. Business Model Innovation	,409**	-				
3. Ambidexterity	,397**	,674**	-			
4. Moderator	0,198	0,218	,315*	-		
5. Size	-0,17	-0,041	-0,024	0,17	-	
6. Environmental Uncertainty	-0,07	0,162	,323*	0,053	-0,073	-

N = 56. **, correlation significant at p < 0.01 (2-tailed). *, correlations significant at p < 0.05 (2-tailed).

Assumptions

In this section, the assumptions of normality, homoscedasticity, linearity, correlation errors, and multicollinearity were tested, which is a critical aspect of multivariate analysis (Hair et al., 2019). Firstly, normality was ascertained within the data distribution by examining the skewness, kurtosis, and P-Plotting. As mentioned above, all values of the variables for skewness and kurtosis were inside of the desired range of – 1 and + 1.

Additionally, after viewing the Normal P-Plot, the data distribution closely follows the diagonal, meaning that the data follows a normal distribution. As for homoscedasticity, the equal variance of the dependent variable across the range of predictors was tested. The scatterplot showed an equal variance of residuals across the range of predictor variables, supporting the assumption that homoscedasticity was determined. In terms of linearity, the relationship between the independent variables and the dependent variable changes proportionally.

The partial regression plot shows that a straight line was drawn through the data points in the graph, meaning that linearity was assumed. Further, the Durbin-Watson statistic assumption showed that a value of 2.151 was attained in the model, signifying that there is an absence of correlation errors due to this value being close to 2. And finally, multicollinearity was assessed utilizing the VIF and tolerance values, where VIF was lower than 10 and Tolerance was higher than .1, which was the case with all variables included in the analysis (see Appendix B). Thus, the analysis was proceeded.

Moderation Analysis

In this section, the hypotheses were tested using SPSS, including the dependent Organizational Performance, independent Business Model Innovation and Ambidexterity, and moderator Ambidexterity variables. Furthermore, the covariates Firm Size and Environmental Uncertainty were added to the regression analysis. For the variable Firm Size, two dummy variables were included, as the reference category was small firms (see table 3).

First, the regression analysis shows that there is a positive total effect of the model (b = 2.720, t = 2.502, p = .016), showing an explanation of 28.8% of the variance within the model (R^2 = .288). However, the direct relationship between Business Model Innovation and Organizational Performance was insignificant (b = .305, t = 1.425, p = .160), as shown in table 3. Therefore, H1 was rejected.

Secondly, the hypothesis that there was a positive relationship between Ambidexterity and Organizational Performance (b = .346, t = 1.325, p = .191) was also rejected (H2). And finally, the third hypothesis for the moderation relationship by Ambidexterity between Business Model Innovation and Organizational Performance (b = .088, t = .792, p = .432) was also rejected (H3).

Table 3.

Regression Analysis

Predictor	Unstandardized Coefficients (B)	Std. Error	Standardized Coefficients (Beta)	t	Sig.
(Constant)	2,720	1,087		2,502	0,016
1. Business Model Innovation	0,305	0,214	0,233	1,425	0,160
2. Ambidexterity	0,346	0,261	0,237	1,325	0,191
3. Moderator	0,088	0,111	0,105	0,792	0,432
4. Environmental Uncertainty	-0,197	0,107	-0,239	-1,839	0,072
5. MED (dummy)	-1,019	0,811	-0,152	-1,256	0,215
6. LRG (dummy)	-1,232	0,879	-0,184	-1,403	0,167

Interpretation

Although none of the hypotheses were supported by the data, including both direct effects of the independent variables on the dependent variable (H1, 2) and the effect of the moderator variable on the relationship between the independent and dependent variable (H3), the model was able to explain 28.8% of the variance in Organizational Performance, indicating that the combined effect of all the variables in the model were meaningful. Moreover, control variables Environmental Uncertainty and Firm Size did not have a meaningful impact on Organizational Performance in this analysis, which suggests that other factors that were not included in this analysis may be influencing Organizational Performance, or that the relationships between the variables were undetectable due to the sample size or the context of the sample. Therefore, further research with larger or different samples or additional variables may be necessary to uncover more about these relationships.

Discussion

Summary of Findings

This section discusses the findings of the previously described analysis of the findings above. Furthermore, this section will discuss the theoretical and practical implications, and thereafter the limitations of this research. And finally, a discussion about future research directions is mentioned.

First of all, it must be noted that the direct relationships of business model innovation and ambidexterity on organizational performance, and the moderation effect of ambidexterity on the relationship between business model innovation and organizational performance, were found to be insignificant, and were thereby rejected. As already mentioned in the results section, this may be because of an issue with either the sample size or the research context, or additional variables are needed that could better uncover more about the effects on organizational performance and its relationships. Furthermore, the control variables firm size and environmental uncertainty proved to be of insignificant value to the moderation, although it was found that environmental uncertainty has a correlation to ambidexterity, which was expected due to Kafetzopoulos (2020) proving that this is a moderating variable to the strength of ambidexterity on organizational performance.

One of the explanations for finding insignificant effects between the relations of the variables may be caused by what Fourné et al. (2019) had previously described to be causing insignificant effects of ambidexterity in the service industry. According to Fourné et al. (2019), the positive effects of integration of exploitative and explorative business units in service firms explain how the effect of ambidexterity, as well as its moderating effect, had been proven to be insignificant in that particular study. This is because service firms often must be able to access both the exploitative and explorative sides of a business in order to bring forth the best customer experience possible through enhancing the interaction between the firm and its customers, increasing the flexibility required in this field to adapt to customer feedback and increasing operational knowledge sharing, improving employee role efficiency and clarity, and an increase of service quality (Fourné et al., 2019). Although in other cases ambidexterity may improve organizational performance through segregation of business units (Chen, 2017; Gilbert, 2005; Lange et al., 2009; O'Reilly & Tushman, 2008; Stettner & Lavie, 2014), service firms may experience reduced impact of ambidexterity due to having no problems with the integration of exploration and exploitation, since they often need to be capable of both in order to create the best service products possible for their customers (Fourné et al., 2019). Moreover, since these creative firms are often small (Markides, 2006), there may be no complications in such small teams when integrating exploration and exploitation, since this is often an issue of rigidity in larger companies with complex organizational structures (Chen, 2017; Lange et al., 2009; O'Reilly & Tushman, 2008; Stettner

& Lavie, 2014). Therefore, the reasons this may have been a reason why ambidexterity had no significant effect on organizational performance could be the research context and/or the size of the firms in question.

Another explanation may be that the sample size and/or the research setting proved to be inadequate for these hypotheses. This is because in previous studies, advertising agencies were not specifically researched, and instead used a broad range of either different creative industry firms, and often a larger sample of these firms (e.g. Kafetzopoulos, 2020, Landoni et al., 2020; Li, 2020). Although these studies researched the variables used in this thesis separately, the significance of the relationship between business model innovation and organizational performance, as well as ambidexterity and organizational performance within creative industries was proven. Therefore, this thesis is likely to suffer from an issue due to its sample size or its sample of advertising agencies in The Netherlands.

Theoretical Implications

The rejection of the hypotheses serves as a challenge to existing theory and knowledge about ambidexterity and business model innovation literature. This is because this thesis provides evidence that within this specific sample, ambidexterity and business model innovation does not significantly improve an organization's performance financially nor improve their industry position.

One of the theoretical contributions of this research is that the non-significant findings challenge the prevailing notion that ambidexterity and business model innovation are always effective in enhancing firm performance within creative industries, which suggest that the benefits of these strategies may not be universally applicable across different sectors. The rejection of the hypotheses was unexpected, which could be because that the sample may be less influenced by the independent variables, such as business model innovation and ambidexterity, than other industries. Empirical research that found ambidexterity to have a positive effect on firm performance (e.g., Kafetzopoulos, 2020) or business model innovation (e.g., Landoni et al., 2020; Li, 2020) was based in different industries. Kafetzopoulos (2020) created a sample of 449 Greek firms unaffiliated with the creative industry, whereas Landoni et al. (2020) focused on the mobile gaming industry, and Li (2020) utilized a large sample of different creative firms. Since the diversity of focal groups is large, it may be that empirical evidence in the advertising industry diverges from other creative industries. This explanation is further strengthened by looking at the correlations in table 2 in the results section, where strong correlations between business model innovation and ambidexterity on organizational performance and each other are evident. As Fourné et al. (2019) stated, service firms may find that ambidexterity does not benefit their firms since most often this involves separation of business units to retain a nimble and agile organizational structure. Moreover, the reduced effectiveness of ambidexterity within service firms

indicates that business model innovation may also find reduced effectiveness within the service industry, contrasting with previous findings of Landoni et al. (2020) and Li (2020), who showed that firms in creative industries may benefit from overcoming resource constraints and creating a diverse portfolio of different business models. This discrepancy could be attributed to differing research contexts and/or sample sizes.

Furthermore, it may be the case that the constructs measuring ambidexterity and business model innovation are unable to fully capture the dimensions of the variables within the advertising industry context. Although the moderator had a weak effect on the relationship between business model innovation and organizational performance, it is noteworthy that the two concepts are highly related individually (Khanagha et al., 2014; Markides, 2013). The insignificance of this result could be attributed to the sample size being insufficient. Alternatively, it could suggest that ambidexterity truly has no effect on business model innovation. Business model innovation primarily focuses on front- and back-end value creation and capture, whereas ambidexterity serves as a structural organizational tool. While the two theories overlap in terms of innovation, ambidexterity often aims to cultivate innovation capabilities, whereas business model innovation emphasizes exploiting underserved markets. Thus, due to the relationship between ambidexterity and business model innovation being seemingly similar, which was proven true in the bivariate correlation table, the constructs may perform on different levels within organizations, reducing practical cohesion.

Finally, dynamic capabilities theory may provide an explanation as to how advertising firms could not be measured correctly in terms of ambidexterity and business model innovation, since the static measurement of this thesis cannot provide a context of a changing environment. A dynamic study may prove how ambidexterity and business model innovation could improve organizational performance when studied over a longer period of time, since these processes may unfold gradually. It was expected that through conducting a dynamic study, the effects of business model innovation and ambidexterity within creative firms will be more pronounced in times of change, where the focal firm must adapt to its environment. Moreover, a dynamic study may better record these effects through measuring the response of dynamically (in)capable firms at the moment of environmental change, after which the organizational performance may be found to increase or decrease. Therefore, future studies may uncover that dynamic studies on the relationships in this thesis may provide the answers as to how business model innovation and ambidexterity interact with organizational performance within this context.

Practical Implications

In practice, the results of this study provides firms with little relevant information on how to proceed with doing business. Since there were no significant results, no conclusive evidence could be brought in terms of how firms should be able to improve their dynamic capabilities by creating more exploitation and exploration abilities, nor does it prove that business model innovation improves firm performance within advertising agencies or creative firms in general. Moreover, it does not seem that improving ambidexterity within creative firms would improve efforts to create novel business models. However, this is also not particularly disproven, as this may be a sampling issue within this thesis.

Managers of advertising agencies may find that business model innovation and ambidexterity helps their organization achieve organizational performance, although this study found that most advertising firms tend to already be adept in both of these categories. This may be because advertising agencies are generally small, and their dynamic capabilities arise from an integrated approach, which is often the best way to approach business in the service industry (Fourné et al., 2019). Moreover, small firm size increases organizational agility and ambidexterity capabilities, which helps to drive creativity and innovation capabilities. Thus, although no conclusive evidence was found that business model innovation and ambidexterity help to improve organizational performance in advertising agencies, it is likely that these variables are innate in small creative firms.

Limitations

As previously stated, the primary limitation for this research include the sample size being inadequate, as well as the specific industry context, which may not be generalizable in other industries. This was found because of the insignificant individual effects of business model innovation and ambidexterity on organizational performance, as well as the insignificant moderation effect of ambidexterity on the relation between business model innovation and organizational performance. However, it was speculated that this could be solved by increasing the sample count or the research context.

Furthermore, it is unclear whether firm size and environmental uncertainty are effective control variables for this type of research. This is because they were vastly uncorrelated to any of the variables, except for environmental uncertainty on the direct effect of ambidexterity to organizational performance, which was previously hypothesized and proven by Kafetzopoulos (2020). Although the model was made more reliable through adding these control variables, it is unclear whether this helped to explain differences in, for example, small, medium, or large firms. This last point is amplified by the fact that almost all firms in the sample deemed themselves as small firms, which was in alignment with what Markides (2006) wrote about creative firms mostly being small.

The issue of firm size may also translate itself into a limitation within this study. Namely, the target selected as the primary sample for this study, advertising agencies, may have been an inadequate representation of the creative industries. The predominantly small size, paired with the statistical insignificance of this sample, may indicate that advertising agencies are not the right focal group for the tested hypotheses. However, this may also be related to the previously mentioned sample size inadequacy.

Future Research Directions

As this thesis provided no conclusive evidence of business model innovation, ambidexterity, nor the moderation effect of ambidexterity on business model innovation in relation to the dependent variable organizational performance, future research could focus on expanding the sample size, focusing on a different sample target group within creative industries, creating a longitudinal study to capture possibly dynamic temporal factor, and adding different or more control variables that may substantiate differences between groups within creative industry samples. These recommendations may prove that the currently significant total model extends to the direct and indirect correlations of business model innovation and ambidexterity on organizational performance, and therefore may also prove the moderation effect of ambidexterity on business model innovation. Further, the sample of advertising agencies may not have provided adequate due to firm sizes being heavily biased towards the smaller firms, as well as the possibility that advertising agencies do not represent the creative industries as a whole, although Markides (2006) suggested that most creative firms are on the small end of the firm size spectrum. Due to the static nature of this research, it may be so that a dynamic study on ambidexterity and business model innovation's effect on organizational performance may provide more and better insights in how these independent variables improve a creative firm's survivability over the course of time, especially in moments of struggle due to creative firms predominately struggling with exploiting their innovations (Landoni et al., 2020). Finally, other control variables may provide more insights into the dynamics of business model innovation and ambidexterity within creative industries.

Conclusion

Summary

This research provided an empirical analysis on the relationships between business model innovation, ambidexterity, and organizational performance. The main research question was: *What is the effect of ambidexterity on the relationship between business model innovation and organizational performance?* Through statistical analysis of a total of 56 advertising firms in The Netherlands, the hypotheses were tested, but ultimately found insignificant on all counts. This was attributed to the context of the sample not being congruent with previous findings in creative industries and/or the size of the sample size being too small. Thus, this research rejects the idea that there is a possible moderation effect of ambidexterity between business model innovation and organizational performance, although further research may prove that this result could be attributed to the sample being too small, the context of the sample being inadequate, the constructs used for this research not being relevant, or the static environment of this research providing less significant results in comparison with a dynamic environment.

Contributions

This thesis provides insights to business model innovation, ambidexterity, and organizational performance theories through pursuing new empirical evidence within creative industries utilizing a sample that was procured primarily. Furthermore, this thesis provides more insight into creative industries, which is a sector that is often overlooked but provides much value to the economy. Although the results of this thesis remain inconclusive, a structure for researching these hypotheses has been put in place for reference within future research on these topics.

Closing Remarks

This thesis provides empirical evidence on one of the topics that has branched off of business model innovation, as was written in Foss and Saebi's (2017) work. Ambidexterity had been extensively researched, although not much evidence is available to its impact on business model innovation and organizational performance. This fact remains, although an interesting relationship between ambidexterity and business model innovation was found (see table 2), which had the strongest relationship within this research. Thus, future research may provide with more answers based on the structural foundation that this thesis has laid out.

Appendix A. Standardized Factor Loadings

Standardized Factor Loadings and Reliabilities

Construct (first order)		Items	Loading	Reliability
Financial Performance	FIN_1	Profitability is increased.	.816	
	FIN_2	Gross margin has improved.	.709	
	FIN_3	Profit levels have improved.	.863	
	FIN_4	Productivity has improved.	.687	
	FIN_5	Return on investment has improved.	.805	
Competitiveness	CONC_1	Maintaining the operational and production cost at a low level.	.361	
	CONC_2	Delivering on time the type and volume of product required by customer(s).	.684	
	CONC_3	Flexibility in responding to the market rapidly within a short period.	.539	
Value Creation Innovation	WC_1	Relative to our direct competitors, our employees have very up-to-date knowledge and capabilities.	.626	
	WC_2	We keep the technical resources of our company up-to-date.	.673	
	WC_3	We regularly utilize opportunities that arise from integration of new partners into our processes.	.686	
	WC_4	We were recently able to significantly improve our internal processes.	.687	
Value Proposition Innovation	WVSTL_1	Our products or services regularly solve customer needs, which were not solved by competitors.	.758	
	WVSTL_2	We regularly address new, unserved market segments.	.718	
	WVSTL_3	Constant changes of our channels have led to improved efficiency of our channel functions.	.635	
	WVSTL_4	We emphasize innovative/modern actions to increase customer retention.	.637	
Value Capture Innovation	WVL_1	We recently complemented or replaced one-time transaction revenues with long-term recurring revenue models.	.812	

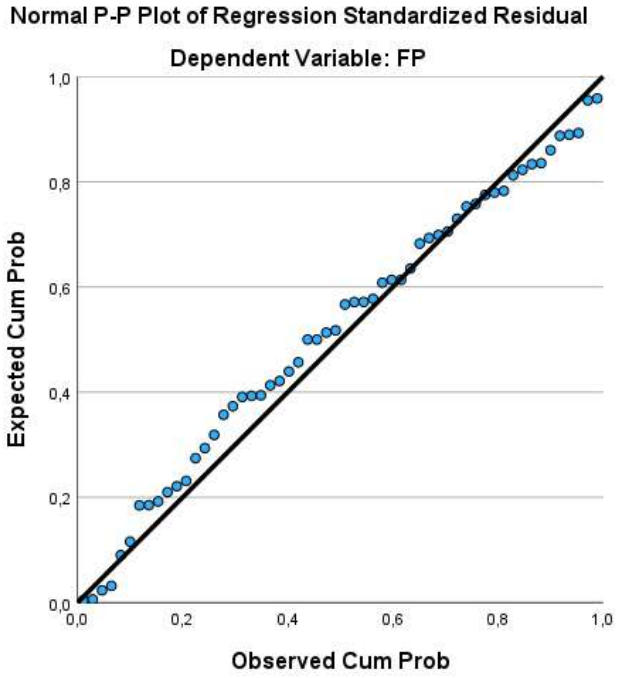
	WVL_2	Our production costs are constantly examined and if necessary amended according to market prices.	.787	
Environmental Uncertainty	MO_1	Customer needs and wishes are not stable and change very quickly.	.517	
	MO_2	Demand for the products produced is not stable over time but is unpredictable.	.643	
	MO_3	Competition for the products produced is very intense.	.716	
	MO_4	Changes in the market environment are very intense.	.768	
Exploration	XPLR_1	The business looks for novel technological ideas by thinking “outside the box”.	.583	
	XPLR_2	The business bases its success on its ability to explore new technologies.	.713	
	XPLR_3	The business creates products or services that are innovative to the firm.	.588	
	XPLR_4	The business aggressively ventures into new market segments.	.538	
Exploitation	XPLOI_1	The business commits to improving quality and lower cost.	.735	
	XPLOI_2	The business continuously improves the reliability of its products and services.	.821	
	XPLOI_3	The business increases the levels of efficiency in its operations.	.730	
	XPLOI_4	The business constantly surveys existing customers’ satisfaction.	.727	
	XPLOI_5	The business fine-tunes what it offers to keep its current customers satisfied.	.731	
Firm Size	EMPL	The company I work for has approximately:	.945	
	REV	The company I work for has approximately an annual turnover of:	.977	
	ASST	The company I work for has approximately a balance sheet total of:	.942	
Construct (second order)	Dimensions			
Organizational Performance	1	Financial Performance	.592	,823
	2	Competitiveness	.592	
Business Model Innovation	1	Value Creation Innovation	.614	,726
	2	Value Proposition Innovation	.709	

	3	Value Capture Innovation	.339	
Ambidexterity	1	Environmental Uncertainty	.569	,753
	2	Exploration	.554	
	3	Exploitation	.316	

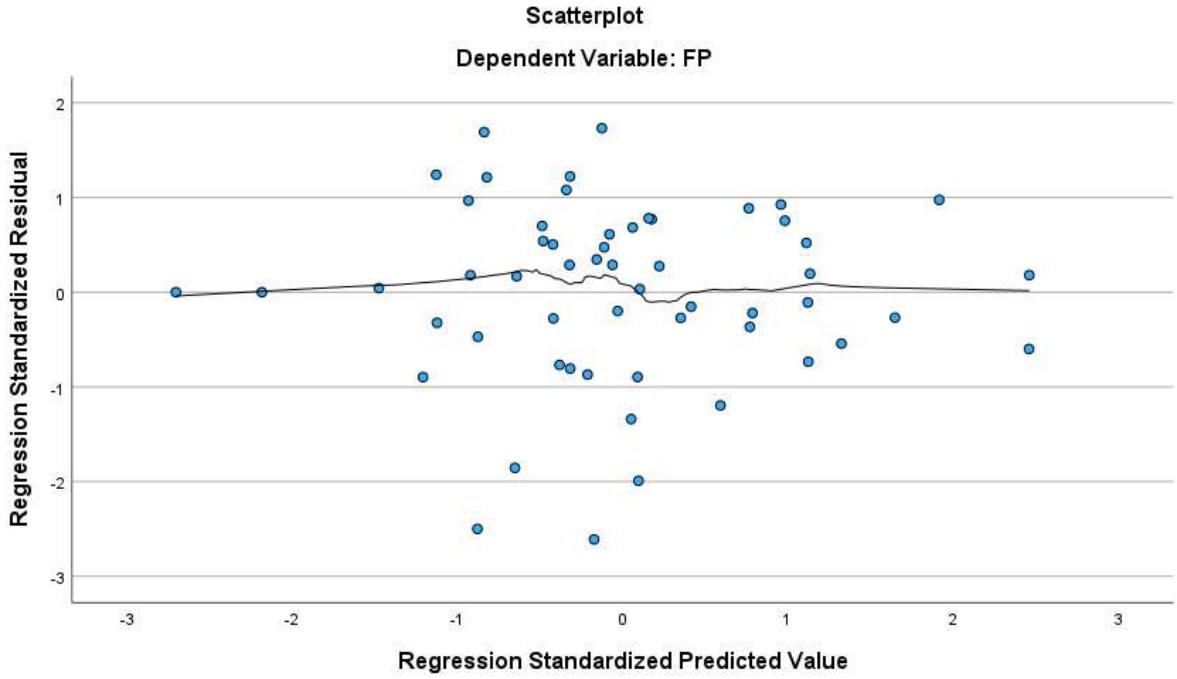
Note: N = 56

Appendix B. Assumptions

Normality



Homoscedasticity



Multi-collinearity

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients			95,0% Confidence Interval for B		Collinearity Statistics	
		B	Std. Error	Beta	t	Sig.	Lower Bound	Upper Bound	Tolerance	VIF
1	(Constant)	2,720	1,087		2,502	,016	,535	4,905		
	BI	,305	,214	,233	1,425	,160	-,125	,734	,542	1,846
	AMBI	,346	,261	,237	1,325	,191	-,179	,870	,453	2,206
	Moderator	,088	,111	,105	,792	,432	-,135	,310	,830	1,205
	EnvUnc	-,197	,107	-,239	-1,839	,072	-,413	,018	,859	1,164
	MED	-1,019	,811	-,152	-1,256	,215	-2,649	,611	,992	1,008
	LRG	-1,232	,879	-,184	-1,403	,167	-2,998	,533	,846	1,182

a. Dependent Variable: FP

Independence of error items

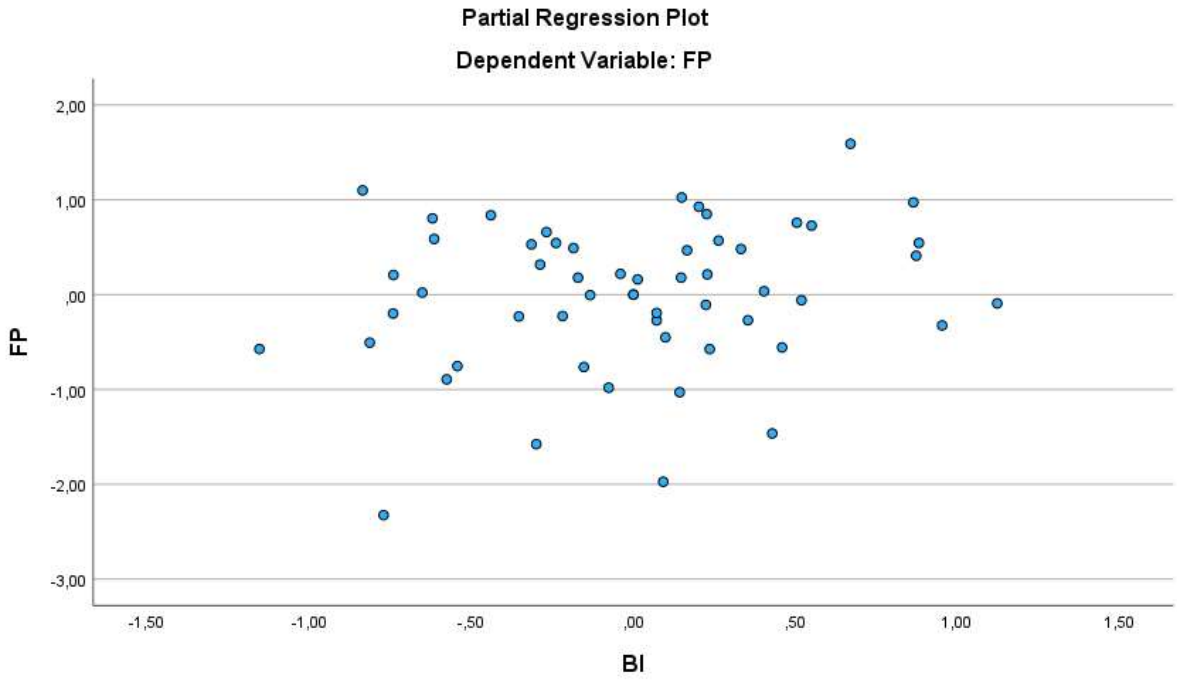
Model Summary[b]

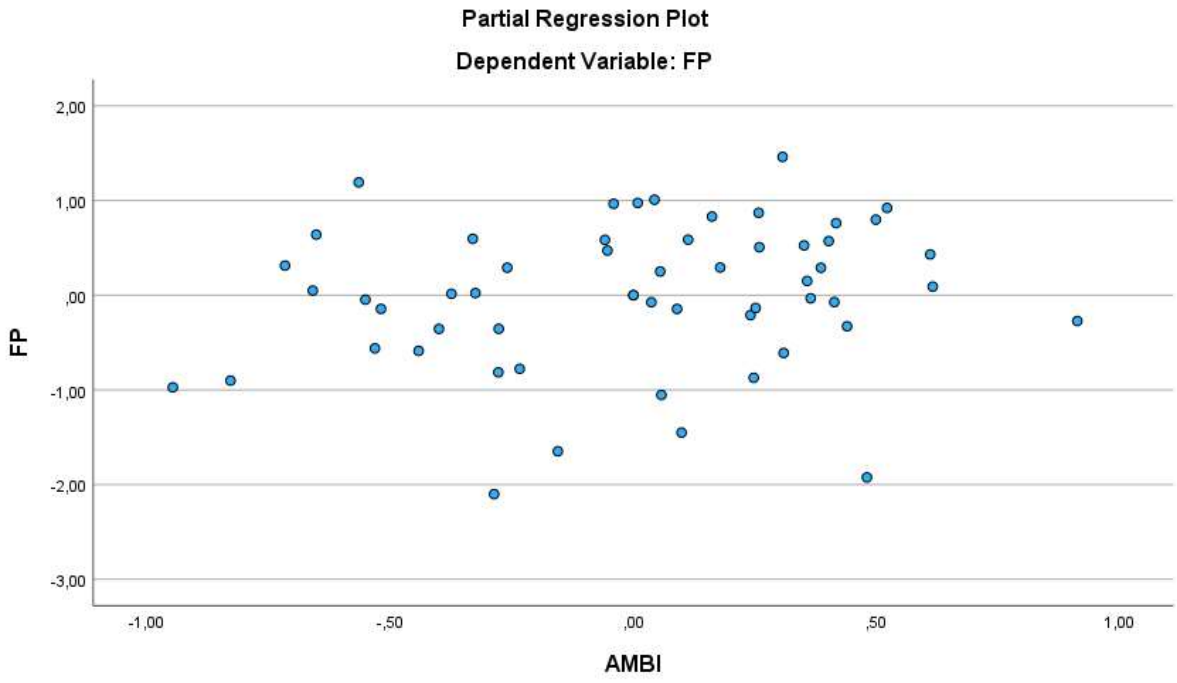
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	,536[a]	,288	,200	,80081	,288	3,298	6	49	,008	2,151

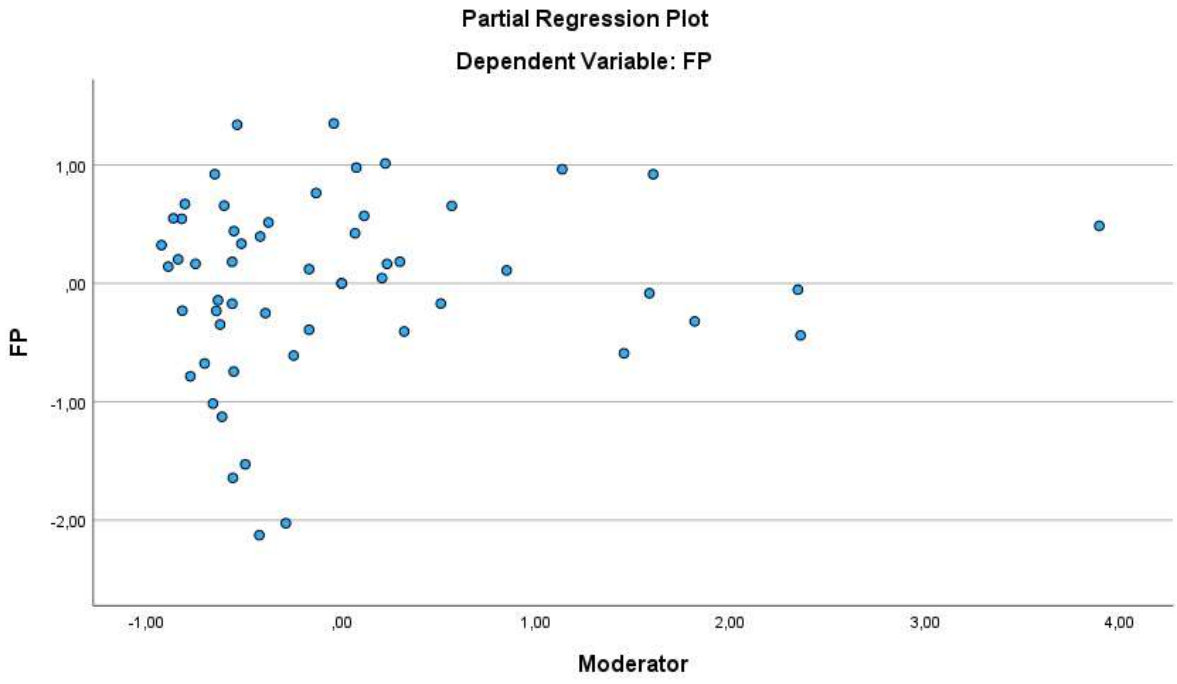
a. Predictors: (Constant), LRG, MED, BI, EnvUnc, Moderator, AMBI

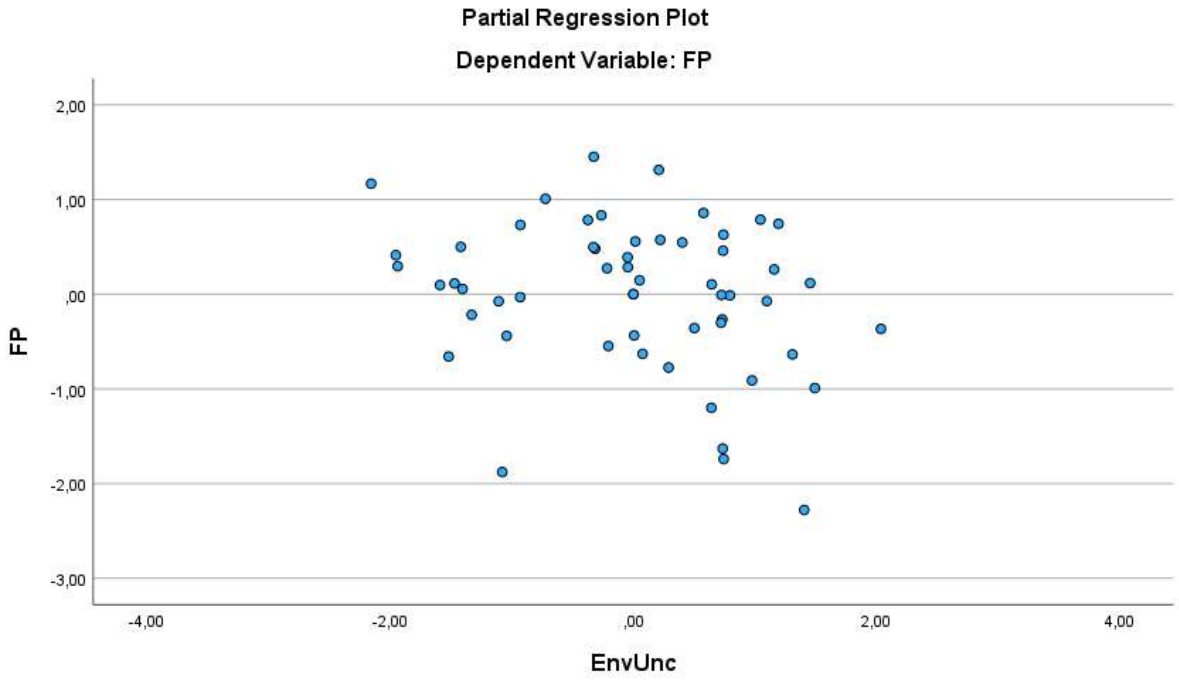
b. Dependent Variable: FP

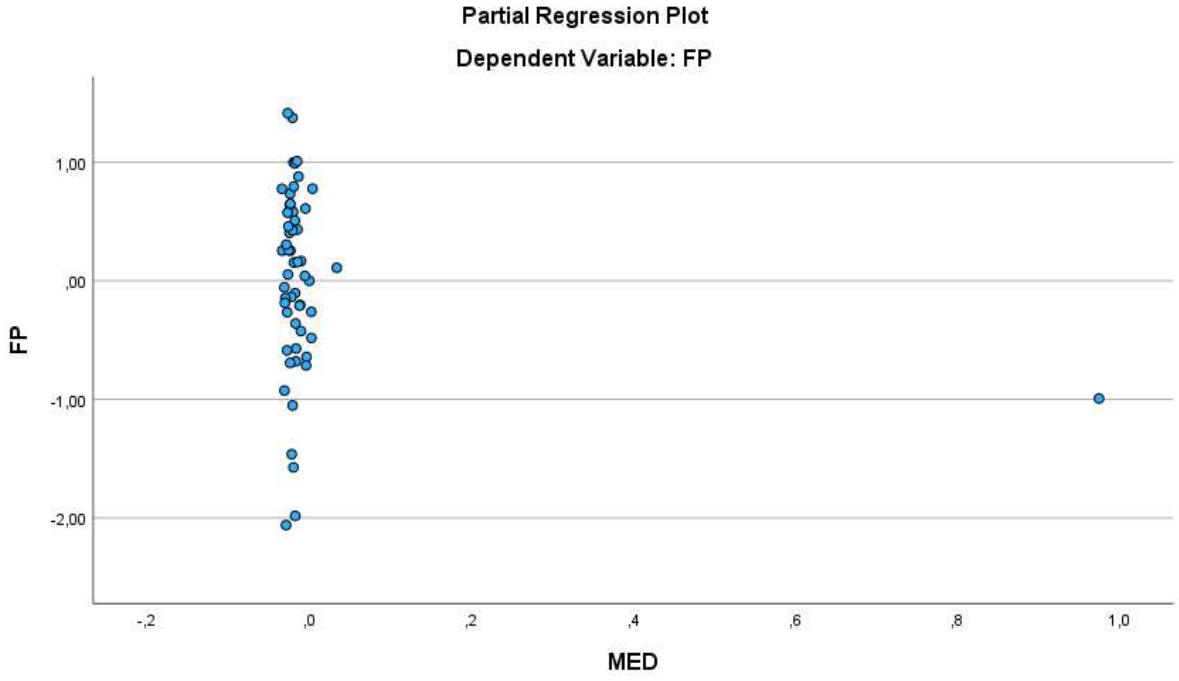
Linearity

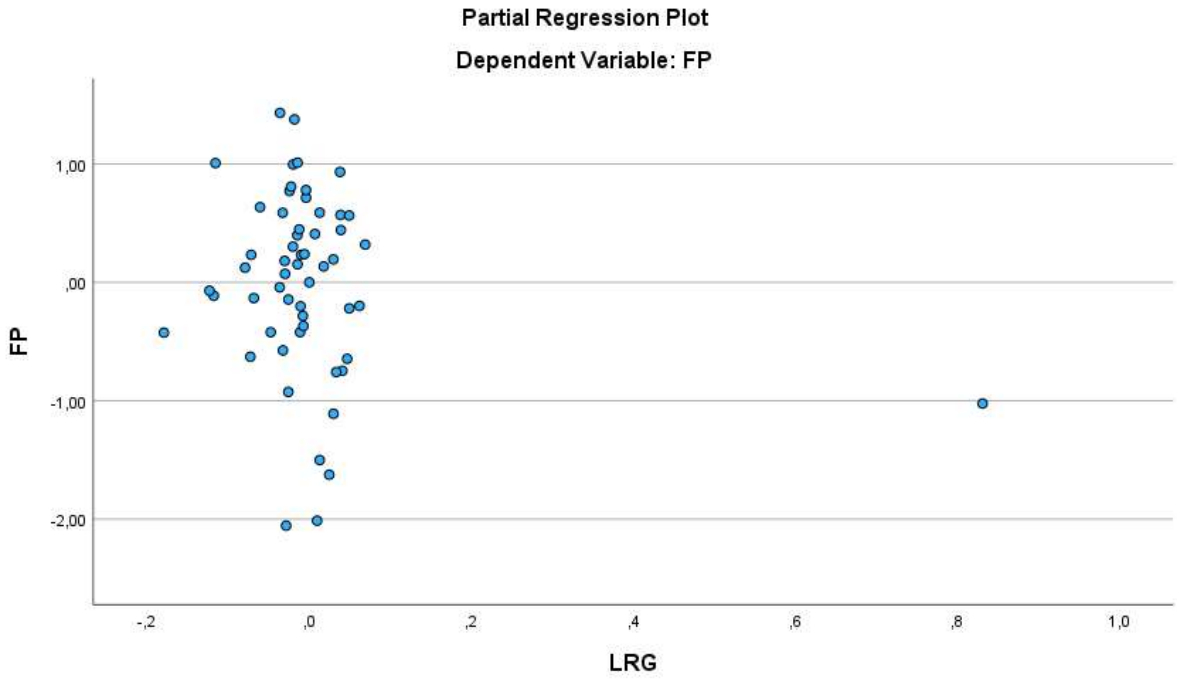



Partial Regression Plot
Dependent Variable: FP
2,00
1,00
,00
-1,00
-2,00
-3,00
FP
-1,00
-,50
,00
,50
1,00
AMBI


Partial Regression Plot
Dependent Variable: FP
1,00
,00
-1,00
-2,00
FP
-1,00
,00
1,00
2,00
3,00
4,00
Moderator


Partial Regression Plot
Dependent Variable: FP
2,00
1,00
,00
-1,00
-2,00
-3,00
FP
-4,00
-2,00
,00
2,00
4,00
EnvUnc


Partial Regression Plot
Dependent Variable: FP
1,00
,00
-1,00
-2,00
FP
-,2
,0
,2
,4
,6
,8
1,0
MED


Partial Regression Plot
Dependent Variable: FP
FP
1,00
,00
-1,00
-2,00
-,2
,0
,2
,4
,6
,8
1,0
LRG

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