



Contents lists available at ScienceDirect

Long Range Planning

journal homepage: www.elsevier.com/locate/lrp

Impacts of strategic exploitation and exploration on firms' survival likelihood after crises: A decision-tree analysis

Christine Chou^{a,*}, Ying-Ho Liu^b, Kuo-Pin Yang^a^a Department of International Business, National Dong Hwa University, No. 1, Sec. 2, Da Hsueh Rd., Shoufeng, Hualien, 97401, Taiwan^b Department of Information Management, National Dong Hwa University, No. 1, Sec. 2, Da Hsueh Rd., Shoufeng, Hualien, 97401, Taiwan

ARTICLE INFO

Keywords:

Exploitation
Exploration
Ambidexterity
Decision tree
Text mining

ABSTRACT

Whether firms can survive a major crisis is an important question for both researchers and practitioners. Ambidexterity is frequently proposed as a sound strategy to achieve best performance when firms exist in turbulent environments; however, it is unclear whether this effect is sustained in a crisis, especially an internal one. Applying configuration and dynamic capability theories, this study extends the literature and examines this question by investigating how exploitation, exploration, and ambidexterity affect firms' survival rates after major crises. This study is based on collected annual reports of and financial data on 367 firms that encountered a major crisis over a 21-year period (2000–2020) to provide empirical evidence. We employed a decision-tree analysis method based on text mining. The results show that during a crisis, firms adopting an exploitation strategy have a higher likelihood of survival than those adopting exploration and ambidexterity. Meanwhile, in the high-tech industry, adopting an ambidexterity or an exploitation strategy is better than adopting an exploration strategy. Theoretical and practical implications are provided.

1. Introduction

Firms constantly face challenges from their internal and external environments, and how to survive major crises in such a dynamic world is a key issue for all organizations. Among the possible solutions to achieve long-term success, the concept of ambidexterity has been frequently proposed to cope with this changing environment in various studies (Luo et al., 2019; O'Reilly and Tushman, 2013; Tushman and O'Reilly, 1996). Ambidexterity is defined as an organization's ability to be simultaneously efficient in its management of current business demands—also called *exploitation orientation*—and adaptive to changes in the environment—known as *exploration orientation* (Duncan, 1976; Iborra et al., 2020). Exploitation and exploration are two essential strategies that firms may choose to use to direct their allocation of resources to cope with their changing environments (Duncan, 1976; March, 1991).

Aiming at achieving a balance between exploitation and exploration, ambidexterity provides firms with dynamic capabilities (Teece et al., 1997), recombinant search (Lin and Patel, 2019), and the ability to create a flexible and complementary set of resources that enhances competitive advantage (Sarkees and Hulland, 2009). The pursuit of ambidexterity is especially beneficial for firms under conditions of market turbulence and technological uncertainty (Luger et al., 2018; O'Reilly and Tushman, 2013) or in times of external crises, such as the global financial crisis (Dolz et al., 2019; Iborra et al., 2020). While these studies are unquestionably significant, they are not representative of all organizations. Specifically, one noticeable gap is found in the context of firms experiencing *internal* crises.

* Corresponding author.

E-mail addresses: chou@gms.ndhu.edu.tw (C. Chou), daxliu@gms.ndhu.edu.tw (Y.-H. Liu), kpyang@gms.ndhu.edu.tw (K.-P. Yang).