



**UNIVERSITAT
JAUME•I**

**AMBIDEXTERITY IN A SERVICE COMPANY AND
THE BUSINESS ENVIRONMENT AS A TRIGGER
FOR STRATEGIC FLEXIBILITY: A CASE STUDY**

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A. INDEX OF FIGURES	5
B. INDEX OF TABLES	6
ABSTRACT.	7
INTRODUCTION	8
CHAPTER 1 – THEORETICAL FRAMEWORK	9
1.1 Ambidexterity	9
1.1.1 Organizational ambidexterity	11
Organizational learning	12
Technological innovation	13
Organisational design	15
Strategic management	15
1.1.2 How do companies achieve ambidexterity?	17
Structural Ambidexterity	17
Contextual Ambidexterity	18
1.2 Strategic Flexibility	18
Triggers of strategic flexibility	21
Enablers of strategic flexibility	21
Barriers of strategic flexibility	22
Outcome of strategic flexibility	23
1.3 Relationship between Flexibility and Ambidexterity	23
CHAPTER 2- EMPIRICAL WORK METHODOLOGY	24
2.1 Data collection and measure	25
2.1.2 Description of the case-study : Best-House	26
2.1.3 Strategy	27
2.1.4 Developments in the Spanish real estate market	28
2.2 Results obtained	29
CHAPTER 3 – CONCLUSIONS	39
3.1 Summary results and recommendations	39
3.2 Limitations and future research	41
REFERENCES	42
Web pages	44
ANNEXES	45

A. INDEX OF FIGURES

Figure 1: Conceptual framework of organisational ambidexterity	12
Figure 2: Ambidexterity innovation	14
Figure 3: Definition of Strategy	16
Figure 4: The analytical model of strategic flexibility	20
Figure 5: Highlights of business life - GRUPO BEST	27
Figure 6: National Franchised Offices	37

B. INDEX OF TABLES

Table 1:Definitions of organisational ambidextria	11
Table 2: Strategic Flexibility	19
Table 3: Exploratory Questions	30
Table 4: Exploitation Questions	32
Table 5: Type of Ambidexterity	33
Table 6: Strategic Flexibility	35
Table 7: Corporate Entrepreneurship	37
Table 8: Percentage of investment in innovation	38
Table 9: Results	38

ABSTRACT.

Purpose:The main objective of this study is to analyse if a service company can be ambidextrous, as well as to determine whether the changing environment can trigger strategic flexibility. In addition, we investigate the relationship between ambidexterity and flexibility.

Design/Methodology: To achieve these objectives, we propose a research model based on literature and theoretical background that we test in an exploratory way in a service company: Best-House, which has one of its headquarters in Castellón de la Plana. To do so, we conducted a study based on interviews with the company's director and observation of the workers.

Findings:The results show that a service company can develop into an ambidextrous company, with the support of top management and through structural ambidexterity. These characteristics are vital for its success in balancing short and long term objectives.

It is also observed that in a changing environment such as real estate, strategic flexibility develops. In addition, ambidexterity and corporate entrepreneurship are dynamic capabilities capable of adapting to change.

Key words:ambidexterity, strategic flexibility, innovation, business environment

INTRODUCTION

We call ambidextrous organisations those companies that have been successful in both exploiting the present and exploring the future. Organisational ambidexterity is the capacity that enables organisations to achieve high levels of exploitation (efficiency) and exploration (search for new opportunities to generate innovation).

The main objective of our study was to analyse if a service company can be ambidextrous and able to examine if the changing environment can trigger strategic flexibility so with this analysis we hope to contribute to the further study of innovation and efficiency in a service sector company which is increasingly aware of the need to exploit and develop their innovation system as well as to streamline and systematise their processes and also contributing to identify the triggers for strategic flexibility and recognising the company's ability to adapt to the business environment .

We begin with the study of the theoretical part, which consists of reviewing the concept of Ambidexterity, Strategic Flexibility and the relationship between the two.

The theoretical part is based on a case study. The company to be studied is a real estate company called Best-House, which belongs to a real estate and financial group.

Best-House is present, through its franchisees and own offices, in Spain.

Our research is based on an interview study with the company's director and observation of the employees.

After this, the results obtained will be analysed and compared with the theoretical framework already explained, in order to obtain the conclusions and results of the case study.

Behind every successful product or service present in the market today, there is a story of strategic direction and market need.

We will examine in depth the key elements that have made the current Best-House business model successful.

CHAPTER 1 – THEORETICAL FRAMEWORK

1.1 Ambidexterity

After an organisation has been created, it is necessary to maintain entrepreneurial drives.

The enterprise needs strategic direction, it requires the capabilities that will be the key to future competitive advantage, the identification of current capabilities plus a commitment to develop new capabilities for the future.

Exploitation of current resources needs to be aligned with the development of resources and capabilities to achieve future advantage.

According to Grant (2014), the essence is to ensure that the strategy constantly pushes the boundaries of the firm's capabilities, which ensures not only the improvement of the capabilities required by the current strategy, but also the development of the capabilities needed to face the challenges of the future.

Each organisation requires a capacity called ambidexterity that will allow it to balance and develop activities aimed at exploiting existing businesses and exploring new opportunities, with the objective of maintaining a sustainable competitive advantage.

Ambidexterity, from a traditional point of view, refers to the ability of an organisation to pursue two different objectives at the same time: efficiency and flexibility. (Adler,Goldoftas, Levine, 1999)

The study of ambidexterity is framed within Resource and Capability Theory and is analysed from the perspective of strategic management and organisational design, innovation and learning (Jansen, 2011).

In this section, the definition of Ambidexterity and how this concept has evolved in recent years will be analyzed.

The following table provides the main definitions of Ambidexterity:

Author	AMBIDEXTERITY definition
Cao, Q., Gedajlovic, E., & Zhang, H. (2009).	“ Ambidexterity is defined as the firm’s capability to simultaneously achieve high levels of exploration and exploitation of organizational knowledge”
March, J. G. (1991).	“March introduced the concepts of exploration as new searches and experimentation in organizational learning, and exploitation in the sense of using and improving the knowledge the firm already has, as the two connected sides of organizational learning.”
Gibson and Birkinshaw,(2004).	“Ability to pursue both development of products, markets and technologies in the long term (adaptability) and coordination and profitability in the short term (alignment).”
O’Reilly and Tushman, (2013).	"An organisation's ability to exploit and explore - for the purpose of competing in established markets and technologies where efficiency, control and incremental improvements are important, and also to compete in new markets and technologies requiring flexibility, autonomy and experimentation. "

Table 1:Definitions of organisational ambidextria

Source: Own elaboration

However, balancing these two skills (exploit and explore) is a challenge for companies, and often requires different abilities, resources and practices.

The authors argue that receptivity to new knowledge is increased if companies focus on exploration, encouraging learning and investigation.

In a strategic perspective, long-term success requires that companies not only use the competencies and capabilities required to compete in the present, they also need to recombine and reconfigure assets and organisational structure to adapt to technology and new markets.

1.1.1 Organizational ambidexterity

Organizational ambidexterity, defined as an organization's ability to be aligned and efficient in its management of today's business demands while simultaneously being adaptive to changes in the environment, has gained increasing interest in recent years.(Raisch, & Birkinshaw ,2008)

As researched by O'Reilly, & Tushman,(2013) Of utmost importance to the ambidextrous organization are ambidextrous managers—executives who have the ability to understand and be sensitive to the needs of very different kinds of businesses. They possess the attributes of rigorous cost cutters and free-thinking entrepreneurs while also maintaining the objectivity required to make difficult trade-offs.

In this section we refer to the disciplines that influence the analysis of organisational ambidexterity.

Figure 1 illustrates the Conceptual framework of organisational ambidexterity.

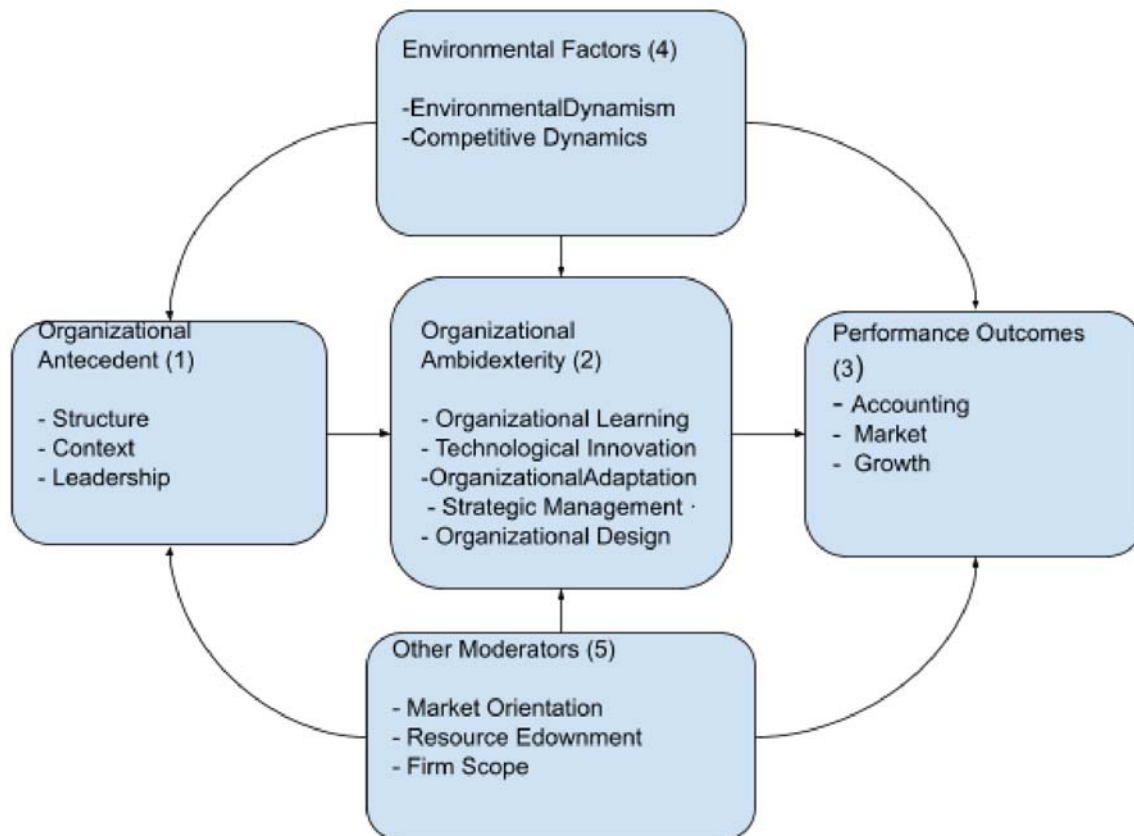


Figure 1: Conceptual framework of organisational ambidexterity
 Source: Own elaboration based on Raisch & Birkinshaw (2008).

Achieving a balance between exploring and exploiting is a challenge for any organisation, requiring that employees are able to look for new opportunities and at the same time be able to continue to work successfully with the capabilities that already exist.

According to the researchers, organisational ambidexterity requires the collaboration of different disciplines in order to move from a traditional organisation to an ambidextrous organisation, which requires changes in processes, structures and cultures, as well as the commitment of the organisation's leaders.

Organizational learning

In general, a learning organization is an organization skilled at creating, acquiring, and transferring knowledge, and at modifying its behavior to reflect new knowledge and insights. (Garvin, 1993)

In recent years, however, the ambidextrous organisation approach has emerged from March's (1991) studies on the contradictory conditions involved in exploratory and exploitative learning, where the major challenge is to balance two seemingly contradictory goals.

Exploitation is about learning generated through internal search, making improvements based on experience, selection, reutilisation and continuous improvement to existing routines, and exploration is about learning generated through processes of observation, and innovation, planned experimentation and action.

Companies want to be efficient in their current business by using their present knowledge and be flexible in acquiring new knowledge from external sources to take advantage of future opportunities.

So it can be said that a high strategic level is needed because this type of organisational learning is related to the short and long term business results.

Technological innovation

Innovation is a discipline that all companies, regardless of their size and characteristics, must put into practice in order to continue in the market in the long term and to grow. However, innovation does not develop on its own, it is complemented by research, development and continuous improvement. It also requires creativity, ingenuity, vision, openness to new ideas and the courage to risk change that may not have the desired results.

According to the literature on ambidexterity and innovation, it finds a relationship between innovation and its distinction between incremental and radical innovation.

Incremental innovation is defined as creating value on an existing product by adding improvements and changes, usually small modifications that upgrade the product, such as a better image, increased functionalities or features, in order to increase its efficiency.

The changes that are made to the product are in order to satisfy consumers and exceed their expectations.

In addition, this type of improvement has an impact on production processes, resulting in an increase in the efficiency of these processes.

Incremental innovation is related to exploitation because it focuses on improving the efficiency and quality of existing products.

On the other hand, radical or disruptive innovation is produced when a product or service has the capacity to generate a new market segment or a new category, producing revolutionary changes in technology.

Radical innovations create a high degree of uncertainty, severely modify the structure of the sectors in which they emerge, disrupt the competitive positions of traditional firms and, in many cases, cause the emergence of new industries.

It is this type of innovation that generates progress, transforms markets and our way of life.

Radical innovation is associated with exploration that focuses on the development of new products, markets and technologies in the long term.

According He & Wong (2004) Explorative innovation strategy is found to significantly influence product innovation, but not process innovation. In contrast, exploitative innovation strategy is found to affect both product and process innovation.

The following picture shows the balance of incremental innovation plus radical innovation resulting in ambidexterity innovation.

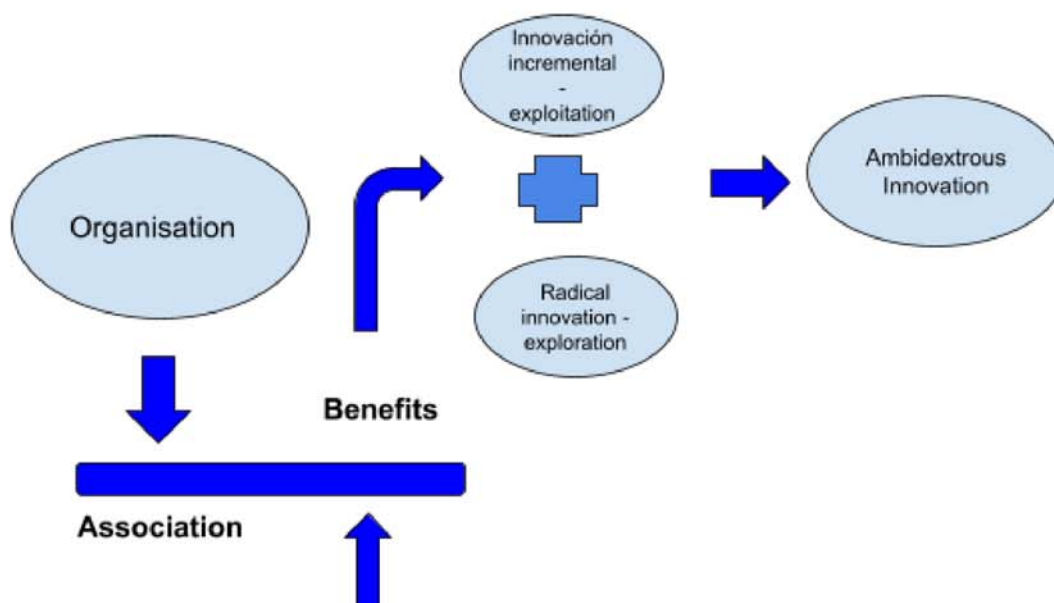


Figure 2: Ambidexterity innovation

Source: Own elaboration in based Bernal, Ríos, , Giraldo, & Vargas,. (2019)

Organisational design

Organisation Design is a set of tools and methods aimed at creating the most effective architecture for an Organisation to reach its strategic purpose.

Leading to a more effective organisation design, with improved results (profitability, customer service, internal operations), empowered employees and commitment to the business. In modern times, an integrated and holistic design approach to organisational improvement is being sought.

Burns & Stalker (1961) argue that mechanistic structures (centralised, standardised and hierarchical) generate efficiency while organic structures (decentralisation, autonomy and mutual alignment) generate flexibility. Duncan (1976) suggests that organisations require both organic structures to generate innovation and mechanistic structures to implement and develop it.

From this perspective, ambidexterity can be defined as the ability of an organisation to develop complex designs that allow for efficiency in the short term and innovation in the long term (Tushman & O'Reilly, 1996).

Companies want to achieve efficient integration of their different areas. A well-designed organisation ensures that the form of the organisation matches its purpose or strategy. It meets the challenges posed and significantly increases the likelihood that people's collective efforts will succeed.

Strategic management

Strategic management is emerging to improve business management in an environment characterised by increasingly complex and new changes. Driven by economic globalisation and internalisation of companies.

According to Grant (2006) strategy can be represented as the link between the company and its environment.

Strategy allows the company, its mission and objectives and its resources and capabilities to be aligned with its environment, with the opportunities and threats that come from the general and competitive environment.

Figure 4 below reflects the definition of strategy proposed by Grant.



Figure 3: Definition of Strategy

Source: Own elaboration based on Grant, (2006)

Ambidexterity, for its part, helps to draw the attention of senior management to the need to adapt stakeholder management decisions to the need to balance short- and long-term objectives, and to consider the interdependencies between the two

The long-term survival and success of a firm depend on its ability to “engage in enough exploitation to insure the organization’s current viability and to engage in enough exploration to insure future viability” (Levinthal and March,1993). “An organization that engages exclusively in exploration will ordinarily suffer from the fact that it never gains the returns of its knowledge,” while “an organization that engages exclusively in exploitation will ordinarily suffer from obsolescence” (Levinthal and March,1993). At the same time, purely explorative organizations are vulnerable to efficiency-oriented competitors; merely exploitative organizations gain returns that could be unsustainable in the long run (Lubatkin et al.2006).

According to the literature, to be successful and survive in the long term, companies must be ambidextrous. Long-term and far-reaching goals cannot be met if a company does not achieve short-term goals, such as incremental improvements in efficiency and productivity.

In conclusion, the theory of ambidexterity emphasises the need for a balanced orientation towards short- and long-term goals in the search for business success, so being strategic means being critical of actions and decisions, exploring new and different solutions, as well as the ability to do things differently, to approach usual tasks from unusual ways.

It also involves the ability to explore new ideas and alternative points of view on a problem (Kirton, M. J,2003)

1.1.2 How do companies achieve ambidexterity?

Ambidextrous companies achieve solutions that allow them to balance exploitation and exploration.

Based on the research, there are structural and contextual ambidexterity as well as the identification of certain characteristics in management teams such as leadership and in the processes developed by them

Structural Ambidexterity

Structural ambidexterity, according to Jansen (2009), proposes the division of exploitation and exploration activities into different structures and the design of corresponding integration mechanisms between them.

This type of ambidexterity proposes to develop exploration and exploitation separately. Structural differentiation consists of creating new initiatives or companies operating under the umbrella of the holding organisation.

This action guarantees and protects exploration efforts in entrepreneurial groups that carry out innovation and development activities.

Structural ambidexterity reduces the tendency of the parent to exert authority over new firms and increases the possibility of some innovation that would not have been possible in an environment of established business models and rigid, stable product models.

It can be established through parallel structures. Exploration units/departments will adopt a more organic structure (decentralised, flat, based on mutual alignment) as opposed to exploitation-based units/departments, which will have a more mechanistic structure (centralised, hierarchical and standardised).

O'Reilly and Tushman (2004) contend that structural ambidexterity challenges managing organisational separation through a close integrated senior team, arguing that this type of ambidexterity provides a practical and proven model for visionary leaders who seek to pioneer radical or disruptive innovations while pursuing incremental profit.

Contextual Ambidexterity

Birkinshaw & Gibson (2004) claim that it is more effective to encourage ambidexterity within each department and not to create autonomous departments, or to establish structural separations in order to allow all workers in the company to make their own choice between how to divide their time between maintenance (exploitation) and adaptability (exploration) activities.

Birkinshaw & Gibson (2004) suggest that contextual ambidexterity is the most appropriate model for developing organisational ambidexterity for the following reasons:

- Facilitates the adaptation of the entire organisation and not only the adaptation of the specific departments or areas responsible for the development of new business.
- It avoids coordination and integration problems between sub-units.
- It manifests itself in the specific actions of workers through organisation. It proposes a context characterised by a combination of discipline, flexibility, support and trust, as workers divide their time between exploitation and exploration.
- Successful organisations balance hard elements (discipline, flexibility) and soft elements (support and trust) in their organisational contexts.

1.2 Strategic Flexibility

As an alternative approach to managing for an uncertain future, new business management studies have begun to focus on developing an organisation's strategic flexibility in order to easily respond to changing technological and market conditions.

Strategic flexibility refers to the company's ability to adapt to the business environment.

As the business environment changes, it generates uncertainties and risks.

Consequently, flexible companies seek to overcome them by adapting their strategy.

The aim is to make their strategic competitiveness relevant and to maintain a competitive advantage.

The ability to adapt to changing business environments is not easy.

Rigidity or bureaucracy often occurs because companies focus on past successes, even maintaining the old strategy, regardless of whether it is still relevant for a current situation or not. As a consequence, companies are slow to change and inflexible.

In this chapter the theory of strategic flexibility will be analysed, starting with the definition of strategic flexibility, according to the theory literature.

Author	Flexibility definition
Sánchez (1995)	“Firm abilities to respond to various demands from dynamic competitive environments Depends jointly on the inherent flexibilities of the resources available to the firm and the firm’s flexibilities in applying those resources to alternative courses of action.”
Volberda (1998)	“Consists of managerial capabilities related to the goals of the organization or the environment.Represents a combination of a high variety of capabilities and fast response.”
Shimizu and Hitt (2004)	“The organization’s capability to identify major changes in the external environment, quickly commit resources to new courses of action in response to those changes and recognize and act promptly when it is time to halt or reverse existing resource commitments.”
Brozovic (2016)	“Strategic flexibility suggests an ability of organisations to act on any changes in the environment and the ability to transform their environment.”

Brinkmann et al. (2019)	“The ability of organizations to quickly and purposefully respond to competitive opportunities and threats.”
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Table 2: Strategic Flexibility

Source: Own elaboration

In his literature review of strategic flexibility, Brozovic (2018) proposes an analytical model of strategic flexibility through a review of the literature.

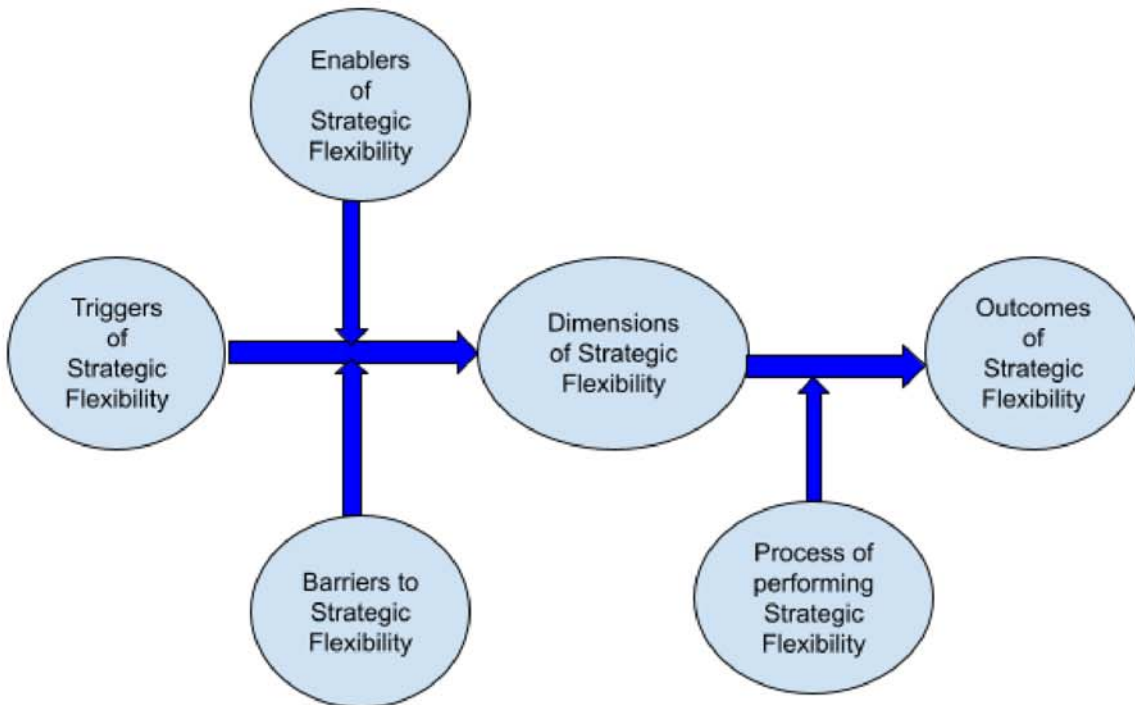


Figure 4: The analytical model of strategic flexibility

Source: Own elaboration based on Brozovic, (2018)

The model identifies triggers, enablers, barriers, dimensions, process and outcomes of strategic flexibility.

Triggers of strategic flexibility

The majority of the definitions assert that changes in the business environment trigger strategic flexibility.

Many factors can trigger strategic flexibility, such as economic or political crises, technological advances, fluctuations in demand, uncertainties related to competition or suppliers, changes in the environment internally or externally, or an unpredictable event such as a pandemic.

Bahrami (1992) argues that flexibility is “The ability to precipitate intentional changes, to continuously respond to unanticipated changes, and the ability to adjust to unexpected consequences of predictable changes.”

Also Shimizu and Hitt (2004) argue that maintaining strategic flexibility is one of the most important yet most difficult tasks of managers and companies in dynamic environments. They define strategic flexibility “as an organization’s capability to identify major changes in the external environment, to quickly commit resources to new courses of action in response to change, and to recognize and act promptly when it is time to halt or reverse such resource commitments” .

In summary, the literature argues that, regardless of the actual sources of changes in the environment, businesses must be prepared to deal with uncertainties.

Enablers of strategic flexibility

The enablers identified have been grouped into three categories: strategy, orientation and culture and resource-related enablers, with new technologies now assuming an important role (Brozovic,2018).

For example, information technologies offer exciting new possibilities for employing strategic flexibility and increasing strategic variety because of the power of digital technologies to reconfigure existing markets and to shape new ones (Normann, 2001).

Strategic flexibility requires not only market orientation (the assessment and assimilation of market information) but also the acquisition, assimilation and extensive interaction with internal resources, technology and the macro-environment (Celuch and Murphy 2010).

The use of strategy enablers implies that a company's strategies are accompanied by structures and processes designed to facilitate their implementation. The organisational culture and orientation of the company allow for flexibility and are the result of more formalised factors such as strategies, process management and capabilities (Nordin et al. 2014).

In conclusion, companies must be able to understand the environment, transform themselves to respond to the market, maintain and develop new competitive advantages, especially in a dynamic and complex environment.

Moreover, structure and strategy have to be synchronised and move in the same direction. Leadership, organisational learning and a resilient organisational culture are essential.

Barriers of strategic flexibility

Barriers to strategic flexibility are factors that make it difficult for a company to act in response to changes in the environment (Brozovic. 2018).

According to the literature the main barriers to flexibility are rigidity, poor technology management, lack of financial resources, resistance to change, lack of skills or information and poor feedback in an organisation.

To survive in such a rapidly changing environment, the company must continuously redefine its core capabilities or implement new ones.

The negative influence of poor management practices has often been highlighted as a barrier to strategic flexibility (Matthyssens; Parnell 2005)

For example, leadership attitudes and behaviour are an obstacle to responding appropriately to changes in the environment (Shimizu and Hitt 2004).

Lack of financial resources has also been identified as a factor impeding strategic flexibility; however, the costs increase in the short term, while the benefits of strategic flexibility are experienced in the long term (Johnson et al. 2003). Ebben and Johnson (2005) have pointed out the need to balance efficiency and flexibility because of the necessary trade-off between the two.

In general, barriers limit the scale and preparation for change, as well as decreasing the chances of achieving variation and making it more difficult for the company to respond to changes in the environment.

Outcome of strategic flexibility

Based on Dreyer, B., & Gronhaug, K. (2004) research considers strategic flexibility as a significant organisational capability to achieve competitive advantage.

Even more so in an economy in transition, where the environment is characterised by volatility and uncertainty, it is there that the ability to cope with situations caused by technological change or variation in demand arises.

In such circumstances, organisations try to maintain their competitive advantage through continuous adaptations, with some researchers even linking strategic flexibility and dynamic capabilities. (Rindova and Kotha 2001).

For instance, Sanchez (1995) posited that competitive advantage is achieved by employing the process of strategic flexibility, thereby allowing managers to face environmental uncertainties and increase their firm's abilities to adapt.

Research has previously provided information on the outcomes of strategic flexibility and several results focus mainly on firm performance such as increased financial performance, company development and innovation (Brozovic,2018).

It also helps companies to redistribute resources efficiently and reconfigure existing operational routines, which increases the introduction of new products.

Another positive outcome is the increased capacity for the development of exploratory innovation, as well as helping to increase resilience resulting in a strategically flexible organisational culture, which also induces innovation.

1.3 Relationship between Flexibility and Ambidexterity

One of the purposes of this project is to present the relationship between ambidexterity and flexibility.

According to the literature already mentioned, there are common points that we will show below, but a new analysis will also be made based on the empirical study that we will carry out in the next chapter.

- Innovation is a key point for flexibility and ambidexterity as an ambidextrous company needs exploratory innovation that normally develops over the long term, to achieve this it needs to be flexible in order to acquire new knowledge and be able to adapt to a dynamic environment.

- A strategically flexible organisational culture is beneficial for undertaking both exploitation and exploration activities.
- Company culture and leadership are critical points for strategic implementation (Ambidexterity and Flexibility). If the leadership is not correct or the workers are not identified with the culture of the company, the strategies will not be applied properly and the company could get into the vicious circle of strategic rigidity.
- Organisational learning is one of the key elements of the company that facilitates the development of ambidexterity and is one of the enablers of strategic flexibility. It ensures the improvement of existing processes and helps to introduce completely new methods and concepts of operation.
- According to Katic, & Agarwal, (2018) as resource flexibility increases, it can be shared with exploration. Therefore, when resource flexibility increases, the complementary effects of exploration and exploitation can be strengthened to promote new product development. The author argues that achieving ambidexterity and flexibility requires effective management practices and that the two strategies complement each other and their interactions facilitate an environment in which both can thrive.

CHAPTER 2- EMPIRICAL WORK METHODOLOGY

Having analysed the theoretical framework of the implications of ambidexterity and flexibility, this chapter will present both the working methodology and the company to be studied.

In this paper the object of study is the real estate franchise Best-House.

This study will analyse ambidexterity in a service company and the business environment as a trigger for strategic flexibility.

The methodology employed is based on case studies. The case study consists of an extensive analysis of a specific situation in order to know and be able to understand and interpret the particularity of the study.

Enrique & Barrio Fraile (2018) point out that the case study focuses on a particular situation, providing an excellent way of analysing real-life problems and helping to understand the situation under study, always part of its objectives being to obtain new perspectives and interpretations.

This type of analysis can combine quantitative and qualitative methodologies, as well as a documentary review.

The research will be qualitative and will be divided into two parts:

1. Interview with the director of Best-House, in order to analyse if the company has an ambidextrous orientation that allows it to have the vision to the future without neglecting the daily challenges. As well as the analysis of the strategic flexibility in the real estate environment.

2. The observation of participants or employees of the company was conducted, because I was doing my internship at the Best-House headquarters located in Castellón de la Plana.

2.1 Data collection and measure

Most of the pioneering sectoral studies on the exploration and exploitation paradox (organisational ambidexterity) have been developed in the context of organisations in the industrial sector that are considered to be of medium-high technological intensity (He & Wong, 2004).

Nevertheless, in this study it will be analysed a real estate services company, considering that in recent years service companies have become the focus of interest for researchers, who assume that the innovative activity of service companies contributes decisively to increase the efficiency and quality in the production and distribution processes of their products (Walker, Jeanes and Rowlands, 2002), it is pretended to demonstrate that a service company can also be considered as ambidextrous.

The questionnaire for data collection was designed based on the literature review.

It is divided into 6 constructs, each of them composed of their respective items (questions).

- Exploration (5 items)
- Exploitation (5 items)
- Type of Ambidexterity (5 items)
- Strategic Flexibility (5 items)
- Corporate Entrepreneurship (2 items)
- Achievement (6 items)

For the analysis proposed, both primary and secondary sources have been used.

Primary sources: interviews and observation.

Secondary sources: official Best-House reports provided by the company for this case of study, the company's official website, social media accounts such as Facebook, Instagram and LinkedIn; access to other websites, specifically the websites of collaborators and others necessary for further information.

2.1.2 Description of the case-study : Best-House

The BEST GROUP is a real estate and financial group that is present in Spain through its franchisees and own offices.

It has more than 30 years of experience in the real estate sector, and also has 3 lines of business: Best House, Best Credit and Best Services.

The Best Group believes that it now has the experience, technology and human capital to offer its clients long-term relationships based on trust, transparency and results.

This research will focus on Best-House franchise agencies that represent real estate agencies.

Best-House specialises in the valuation and marketing of all types of real estate assets and currently has a large portfolio of private properties (over 30,000) and agreements with the main Servicers, Investment Funds and Financial Institutions at a national level for the sale of their properties.

The most important moments in the corporate life of the BEST Group are shown below.

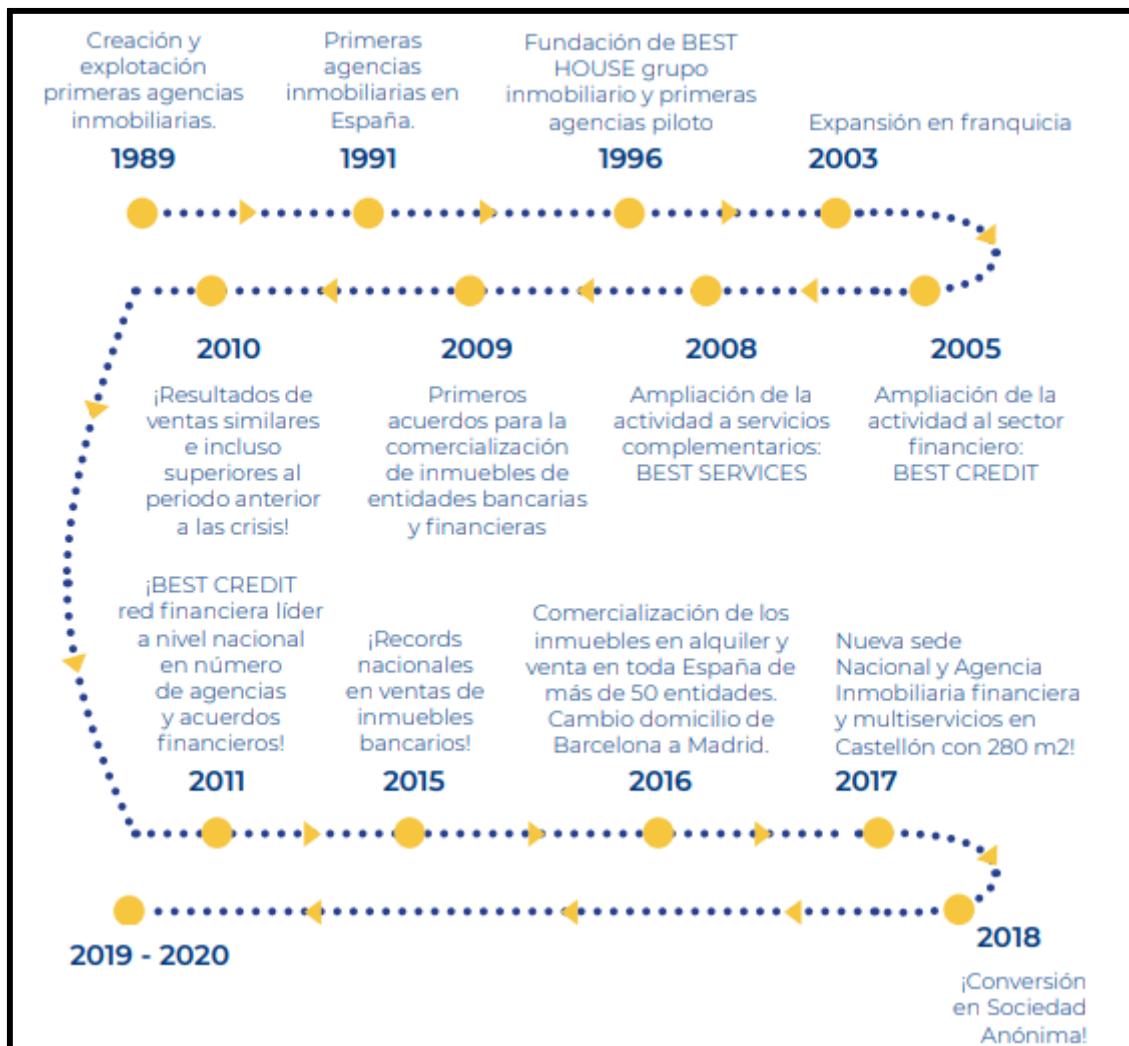


Figure 5: Highlights of business life - GRUPO BEST
 Source: Own elaboration in based Grupo Best information

2.1.3 Strategy

Best-House has opted for a cost leadership strategy because it is one of the national franchises that promises profitability with a low investment. It argues that with a minimum investment, the next franchisee will be able to operate a company with a national image from the very beginning.

They currently have 153 franchises in Spain and more than 500 agents, spread throughout the country, maintaining a continuous monthly growth, which makes them considered one of the largest real estate and financial groups by number of offices and volume of operations.

According to Diez, Navarro and Rondán (2005) a franchise is considered to be one of the most dynamic and innovative business formats in the business panorama of any

country. It is a business model that enjoys a great expansion worldwide and has helped to modernise the commercial structures of countries.

The success of franchising is based on the advantages of adopting this business formula, both for the franchisor and the franchisee.

2.1.4 Developments in the Spanish real estate market

As the intention is to analyse the business environment as a trigger for strategic flexibility, this section will comment on the main characteristics of the real estate environment in Spain in recent years.

The real estate assets provide a service of fundamental necessity such as housing. Moreover, real estate activity contributes to improving social well-being and the dynamism of this activity not only creates value in the sector itself it also creates value for industry-related activities.

In recent years it is possible to identify 3 stages of the Spanish real estate market.

The first stage was in the 2008 crisis, when house prices were on an all time growing trend, reaching record highs.

This unbridled price growth was driven by high investment in the real estate sector together with an increase in household spending, accentuated by easy access to finance, which led to a situation of extreme high indebtedness. All these factors led to the real estate bubble.

Jónsson's report (2020) reveals that after the financial crisis of 2008, household investment in housing experienced a significant recovery from 2013 onwards, above GDP growth.

In addition, there was a significant recuperation in the volume of sale and purchase transactions between 2014 and 2018, mainly supported by the second-hand segment, with the supply of new homes decreasing.

However, since September 2019 this trend has been reversed due to economic developments and the adaptation of the new real estate lending regulations (in force since July 2019), which regulate real estate lending contracts.

The year 2020 saw a new change in the world, with the Covid-19 pandemic and the adoption of containment measures that deepened the slowdown in the real estate market. According to the latest analysis of (Forecast of the Real Estate Market 2021 in Spain, 2021), the real estate sector is supported by much more solid foundations than during the previous crisis.

It is argued that before the Covid-19 pandemic, households and businesses were in a much healthier situation than 12 years ago, as there was no oversupply of housing and in recent years banks have been much stricter in their credit standards.

Lores (2020) indicates that the main points to take into consideration regarding the current real estate situation are the following:

- In the first semester of 2020, housing sales fell in all the Autonomous Communities. Sales of secondary residences and purchases by foreigners fell the most in the first half of the year (39.7% and 38.4%, respectively). The fall in primary residence transactions was 29.4%.
- Monthly housing sales are around 2019 levels, after the adjustment suffered during the first stage of confinement at the start of covid-19. However, in the cumulative year 2020, it falls by 21.6%.
- In August and September 2020, sales seem to be evolving around the pre-pandemic trend.
- The valuation data reflect an increase in the size of appraised homes from the second half of 2020, which could point to an increase in the average size of homes sold.
- Looking ahead to 2021, the real estate market will have factors in its favour (the recovery of the economy and favourable financing conditions) and factors against it (uncertainty is still high, especially in the first part of the year, and foreign demand may take time to normalise).

In conclusion, the real estate market, far from having a stable environment, is characterised by being dynamic, which means that companies dedicated to this market are forced to be alert, learn quickly, and convert ideas into actions promptly.

Identifying and cultivating the right skills for this modern world is the key. Even before COVID-19, many organisational leaders were already attentive to finding, retaining and developing the talent needed for the global world.

2.2 Results obtained

In this section we are to analyse the results of the case studied, the interviews and the questionnaires. In order to interpret the response, it is referred to in the theoretical framework.

Research question 1: In this section the research questions concerning Ambidexterity are developed, this construct in particular focuses on EXPLORATION as it is one of the fundamental pillars of the Ambidexterity company.

Julio Miguel Gomez, General Manager of Best-House, started in the franchise 22 years ago, and during that time he has seen and experienced different changes in the real estate world, forcing them to be highly competent in order to make constant and continuous improvements.

According to O'Reilly and Tushman (2004) Companies that inevitably fail do so because they do not explore as their competitors and as their markets evolve.

Table 3 below shows the questions asked.

Nº	EXPLORATION
1	Best-House is looking for new ideas by thinking creatively, in other words by "stepping out of your comfort zone".
2	Best-House creates innovative services for their organisation
3	Best-House's success is based on its ability to explore new opportunities for the real estate sector.
4	Do you think the company is venturing into new segments or entering another business sector?
5	Currently using new communication channels to reach out to its customers

Table 3: Exploratory Questions

Source: Own elaboration

Currently the company has 3 important areas, said Julio, which are innovation, administration and commercial.

Best-House" holds weekly meetings with the leaders of each franchise in order to be aligned and especially to encourage creativity .The company maintains that it must be a "win to win", in addition to weekly face-to-face virtual courses".

He also explains that Best-House was one of the first to invest in technology by creating its CRM platform, promoting personalised advice to clients regarding the valuation of their properties and they already started to carry out virtual visits to flats via Skype many years ago.

Service companies have traditionally invested more in physical capital-buildings and installations than in technology. However, more and more machinery and equipment are now being used. In addition, the services are considered the main investors in information and communication technologies. (Coombs and Miles; 2000).

Julio told us that "currently everything mentioned above is on the market, however at the time, we were the first to offer these services, so innovating in these tools helped us to overcome the crisis and expand the franchise, hence today we are still working to offer innovative services and looking for opportunities and facilities to our customers".

"Best-house is the holding company and we embarked on two more projects, Best-Credit (2005) and Best-Services (2008), which were born out of market needs".

Best-Services was created to complement the services already provided by Best-House, for example advising and selling all types of securities, property management, legal services, alarm systems, electricity and renovations.

Best-Credit was created for the segment of customers looking for a mortgage or personal credit, they also provide bankruptcy proceedings, revolving cards, factoring, confirming, leasing, renting, discount lines, P2P lending and investment fund capital.

O'Reilly and Tushman (2004) tell us that there are different types of innovation that can have different targets. Some may be aimed at a firm's current customers. Others may be delivered to an existing market that lies beyond a company's current customer base—a car insurer may create a new kind of policy for boat owners, for instance. Still others may be focused on serving an entirely new market .

Best-House now has the technology to telework and serve customers from wherever they are.

Julio believes that nowadays this is simpler not only because of the different digital tools that the company has, but also because digital tools have been created in order to simplify processes, such as the digital signature for purchase or rental contracts.

Research question 2: In this section the research questions concerning Ambidexterity are developed, this construct in particular focuses on EXPLOITATION as it is one of the fundamental pillars of the Ambidexterity company.

On the other hand, there is exploitation, which as previously mentioned in the theoretical framework, its activities are generally related to the operation of the core business through the execution and continuous improvement of business processes or current technological capabilities.

Table 4 shows the questions asked

Nº	EXPLOITATION
1	Is Best-House constantly improving the quality and reliability of its services?
2	Has the level of automatic operations increased in recent years?
3	Does Best-House have current information on customer satisfaction?
4	Does the company try to make the maximum use of its existing customer base?
5	Does Best-House efficiently use its digital resources to achieve a higher benefit?

Table 4: Exploitation Questions

Source: Own elaboration

According to O'Reilly and Tushman (2004) To flourish over the long run, most companies need to maintain a variety of innovation efforts. They must constantly pursue incremental innovations, small improvements in their existing products and operations that let them operate more efficiently and deliver ever greater value to customers.

Best-House's general manager explains that good customer relations are a priority for them, and that they work to ensure quality and customer satisfaction. He says” that the company has loyal customers who have been recommending their services for many years and they can't lose that.”

However, this recognition does not come alone, there is a whole strategy behind it, "It is important to us to do everything we promise to our customers and we try to exceed expectations. In recent years the company has invested in the automation of processes in order to be more agile and reduce response times.To make this possible we have to add digital tools such as whatsapp, pages specialised in finding flats, such as Datacasa, and our CRM which is constantly being updated".

"According to the different statistics we manage, on a scale from 1 to 5 our average satisfaction rate is 4.6, at the moment we are working on a new way of surveying our customers so that it has a more automatic and faster process because the surveys have to be done when the customer is still interested in giving his opinion and not later because he loses interest or has other priorities", it is a point to be improved", moreover for the Best-House Group, the information obtained from its customer base has been and continues to be essential.Julio makes the point that "thanks to this

information disposal we know if there are new needs in the market that have yet not been covered (this is the origin of the idea of Best-Credit and Best-Service), keeping us up to date with new trends and changes in the tastes of society that after the pandemic many clients will not buy a flat without a balcony or terrace, a part from the advertising campaigns that we can implement thanks to the information provided".

"The company has powerful digital tools, however, according to our latest internal analysis we have detected that in some locations, the commercial area is not using them as much as it should be used and that is why we are working with the training area in order to teach new commercial and leadership skills and in order to use the tools that are available properly," concludes Julio.

Research question 3: In this section the research questions concerning Ambidexterity are asked, this construct in particular focuses on the Type of Ambidextria that the company maintains.

Structural ambidexterity separates activities dedicated to exploiting, in other words current business, from activities dedicated to exploring or developing new business.

Innovative efforts are organised as structurally independent units, each with its own processes, structures and cultures, but integrated by top management.

Table 5 shows the questions asked on this topic.

Nº	TYPE OF AMBIDEXTERITY
1	What is Best-House's organisational structure like?
2	Does each franchised shop have an innovation/operations area or is it all managed from the headquarters?
3	How does Best-House manage the challenges of coordination and integration between its franchised shops?
4	Best-House is looking for leaders with a vision for the future without ignoring the daily challenges?
5	Leaders of the organisation motivate workers in any area to develop innovation or excellence?

Table 5: Type of Ambidexterity

Source: Own elaboration

The following information was obtained in the interview: Best House has its pillars in the administrative, commercial and innovation areas.

Each franchised shop has its own employees who strive for excellence on a day-to-day basis, but the central competitive services: management team, R&D, marketing tools and training are located at its headquarters.

The company has 2 headquarters, one is located in Castellón de la Plana, headed by Julio Miguel Gómez, who is the general director, and the other headquarters is in León, headed by Rafael Fernández, CEO of the Best group.

" Although we are in different locations, communication with Rafael is daily and constant, always looking for new opportunities, we are committed to long-term projects, knowing that one of our greatest intangible resources is our human capital, so we have separated the area of innovation and training from the day to day because these areas need independence to develop without falling into a routine".

On the other hand, Julio assures us that they are receptive to all new ideas that may arise from any employee, regardless of the area where he or she works.

Regarding leadership, he mentions that when selecting their managers, the company looks for people who can see the franchise as a life project, working in medium and long term relationships: " At the moment, most of our franchisees leave us due to retirement".

"The company gives the franchisees a business model with proven success and we face the challenges of coordination and integration with constant meetings and coaching sessions, however they are aware that the franchise has a model of economy in scale if they do well we do well too and reciprocally.

The benefits we provide from the head office are real estate from day one, assistance as well as the best conditions for the contracting of services necessary for the development of the real estate activity (real estate portals, website, press office, etc.)".

This is compatible with the analysis of O'Reilly and Tushman (2004) they separate their new, exploratory units from their traditional, exploitative ones, allowing for different processes, structures, and cultures; at the same time, they maintain tight links across units at the senior executive level. In other words, they manage organizational separation through a highly integrated senior team. We call these kinds of companies "ambidextrous organizations," and we believe they provide a practical and proven model for forward-looking executives seeking to pioneer radical or disruptive innovations while pursuing incremental gains.

Research question 4: In this section we ask the research questions concerning STRATEGIC FLEXIBILITY, this construct in particular we will focus on the business environment as a trigger for strategic flexibility.

The previously studied literature suggests that strategic flexibility refers to the company's ability to adapt to the business environment.

In table 6 can be seen the questions asked.

Nº	STRATEGIC FLEXIBILITY
1	Do you consider that the real estate environment is changing?
2	Do you think that the global pandemic covid-19 triggered new ways of providing services in Best-House?
3	Do you think the pandemic made them change the strategy previously followed?
4	What new/strategic processes were implemented at the beginning of the pandemic and are still in use today?
5	Every franchised shop adapts or is flexible to local customs?

Table 6: Strategic Flexibility

Source: Own elaboration

Julio let us know that the real estate environment is dynamic. Best-House mainly had as its breaking point the 2008 crisis followed by the covid 19 pandemic.

Best-House principalmente tiene como punto de quiebre la crisis del 2008 seguida por la pandemia covid 19.

In answer to question 1, it says that the environment is constantly changing, not only because of crises (sanitary, economic or political), but also due to changing legislation, changing customs, changing trends, changing customer profiles (national and foreign), and so on.

"With the real estate crisis 12 years ago we changed our strategy, decided to go digital, we started selling properties on international portals, in addition to the national ones we already had, we also saw that property prices were falling in value, so we had to sell more to try to reach the previous levels."

"Covid 19 surprised us with our strategy already in place, the pandemic accelerated and boosted the changes we had already planned and strengthened our digital strategy without losing the origin of any real estate agency, which is personal and direct advice".

"With covid-19 we implemented the telematic processes which are still in use today. We also saw that it was necessary to invest more in digital marketing strategies, our budget tripled and we decided to upload videos of the properties to real estate platforms as well as virtual tours of flats and houses".

"We choose to offer our properties in 360° or 3D format. This allows us to see any product from any angle to inspect all its details and help us decide when it is time to buy. "The idea was also that the client can check all the details before making the visit in person avoiding physical contact and that a very interested client can finally visit the property. This process started as an innovation at the beginning of the pandemic and today it is very common, moreover it has given good results.

On the other hand, he tells us that the franchised shops also adapt to local customs, they are flexible and respectful of each place where a new shop is opened.

"We are very clear that customers in the north do not have the same customs and needs as customers in the south".

The theory studied is that regardless of the actual sources of changes in the environment (e.g. competition, uncertainty or complexity), firms must be prepared to confront uncertainties (Sanchez, 1997).

Julio says that Best-House is always alert to identify changes and even anticipate changes in technology, customers or the market.

Research question 5: In this section we ask the research questions concerning CORPORATE ENTREPRENEURSHIP, this construct in particular we will focus on the growth of the company and its results in the last 3 years.

The theory of ambidexterity and strategic flexibility is complemented by corporate entrepreneurship as we consider it to be related.

Corporate entrepreneurship is the promotion of entrepreneurial activity within consolidated companies and organisations. It is one of the strategies that is giving the best results when companies need to move and to go a little further or when they need to innovate. Investing in this favours the improvement of processes, the resolution of problems and the creation of new products and services and even new business units or companies (all in an agile way). (Bisbal, 2020).

Table 7 shows the questions asked on this subject.

Nº	CORPORATE ENTREPRENEURSHIP
1	Best-House has diversified by entering new sectors? What are Best-House's long-term goals?
2	Has the company expanded its operations nationally in a significant manner?

Table 7: Corporate Entrepreneurship

Source: Own elaboration

Best-House has diversified through Best-Credit and Best-Service, however they are alert to market signals to expand their services to external and internal customers.

"Our long-term goals are to consolidate the market at national level, as we still have few communities to capture as well as to continue with the continuous growth of the last few years. On the other hand we are already making plans for our international expansion which will be in 2 more years approximately, we are studying the market in Portugal or France".



Figure 6: National Franchised Offices

Source: Own elaboration in based Grupo Best information

"Our annual growth over the last 3 years has averaged 15 %, even in 2020 it was over 20 %."

The approximate percentage of investment in innovation over the last 3 years has been as follows:

2020	2019	2018
30%	20%	25 %

Table 8: Percentage of investment in innovation

Source: Own elaboration

How would you rate your company's performance compared to your competitors over the last 3 years in relation to the following items?

Results	1: very low / among the worst 7 : very high /among the best						
	1	2	3	4	5	6	7
Sales growth							7
Market share growth							7
Financial profitability							7
Return on investment						6	7
Development of new services						6	7
Global reputation of the company							7

Table 9: Results

Source: Own elaboration

"In relation to our competitors we are growing in a sustainable way, we are already an established company and we are now working on expanding our franchises.

This year we expect to grant at least 15 new franchises during 2021, a target we are really close to reach with more than 10 franchises granted up to August this year."

In 2021 the Best-House Group has been recognised with 2 important awards in the real estate sector, in May they were awarded the prize for the Best Real Estate Franchise by the newspaper La Razón (Best House receives the prize for the Best Real Estate Franchise by the newspaper La Razón, 2021) and on the 30th of September of this year they have again been recognised with the excellence prize for the best national franchise (Best House, Premio Nacional El Suplemento 2021 in the Franchise category, 2021).

Rafael Fernández CEO of the Best group shares the following on his LinkedIn account: "For us it is a very important award for our trajectory in the real estate world, which puts us at the top of the real estate brokerage scene and challenges us to continue adding successes, thanks to the entire Best group team and all our franchisees and clients for giving us their trust over the last 30 years".

CHAPTER 3 – CONCLUSIONS

3.1 Summary results and recommendations

After having passed through different real estate crises the company Best-House is now stronger than ever after 30 years of its foundation.

One of the main objectives of our study was to analyze if a service company can be ambidextrous and that is why this empirical study from Best-House was made and where we discovered that the company supports exploration and exploitation, a good example of exploration is that they made investments in new information technologies through their CRM platform and were pioneers and promoters of the newly way of visiting properties making them virtuals and leaving behind the need of face-to-face meetings. Moreover, the company diversifies its portfolio with Best-Credit and Best-Services that came out of the exploration the needs of the market, in parallel they keep practicing exploitation keeping loyal customers as well the internal as external ones with a level on satisfaction enquiries with averages of 4.6 out 5, yet still has processes that should be a bit more automatized such as satisfaction surveys or operative processes that could be better defined so that, it is recommended to perform some productivity measures and to quantify the use of the digital tools from the employees.

On the other hand, when examining the sort of ambidexterity that the company uses it is conclusive that it is the type of structure that there is a separation between activities of exploitation and exploration in different structures, nevertheless they are integrated into the top management hierarchy. It is needed to highlight that the leaders of Best-house are assuring us that they get their employees motivated to develop their innovation and excellence which is related with what is proposed by O'Reilly and Tushman (2004) that stands out the behavior of the top management is determining in a company because it requires that the executives get to explore new opportunities although they keep working diligently to exploit the already existing capabilities.

As to corporate entrepreneurial analysis they are looking to enlarge its services to customers and franchisees. In the short term they plan to achieve the implantation of new franchisees branches at national level and on long term their international expansion.

This way we may concur that a service company such as this one set on the Real Estate market can really be ambidextrous that the services companies are always looking to develop innovation(exploration) and excellence in every operation(exploitation) moreover, they always keep goals for short and long term.

This links with what Evangelista and Sirilli (1995) are proposing that stands out that innovations in this companies consist in new services and new ways of produce and providing them as well as significatives changes in the already existent or in their distribution and delivery that nowadays information technologies and communication develop a very important role in the process of innovation even in the services that are not based in this technologies directly.

Another of our main objectives is to analyze if a changing environment may trigger strategic flexibility because according to the detailed analysis of the general environment on the real estate market from the last few years in Spain we can also conclude that it has a dynamic environment.

Best-House has as its tipping point at the 2008 crisis and the pandemic Covid-19 era that unchain in them strategic flexibility (to get adapted to entrepreneurial environments adapting their strategy to it). The real estate crisis developed that Best-House had to change its strategy and to adapt to a new reality and went for a digital one apart from opening new markets such as the foreign one trying to get customers overseas as well as rethinking the selling goals that the prices of the properties went down considerably.

On the other hand, the COVID 19 pandemic accelerated the changes they had planned in the medium term, such as implementing telematic processes, updating systems and tripling the budget for social networks and digital channels.

As for the relation between ambidexterity and flexibility we can say that the flexible organizational culture is vital for the development of ambidexterity specially in a dynamic environment such as this one where it is needed that employees keep themselves ready to acquire new knowledge and be capable of getting adapted to a changing environment thus in based of the empirical study we can say that Best-House has prestigious employees backing them all the years and experience in the real estate

business as we are very committed to it nevertheless, I consider that it is needed to keep oneself aware of any technological or market changes it could come up.

In conclusion, after many years of resisting market challenges, we can say that a service company can be ambidextrous and needs the strategic flexibility to create an environment in which both can prosper.

3.2 Limitations and future research

This case of study has two major limitations.

First of all it is a single case of study so that the results obtained cannot be generalised to all service companies so it is suggested that more companies in the sector should be analysed in a subsequent study for greater reliability of the results and then on the other hand, it would be ideal to interview the other management party of the company in order to gather more information about the perspective of top management moreover, we also suggest conducting more interviews with employees in order to conduct more empirical analysis on the facilitators and barriers to strategic flexibility.

Nevertheless, the information provided by the manager, as well as our own observation and the literature already studied, has allowed us to achieve the objective of the work.

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ANNEXES

Annex 1: Interview - Best-House

N°	EXPLORATION
1	Best-House is looking for new ideas by thinking creatively, in other words by "stepping out of your comfort zone".
2	Best-House creates innovative services for their organisation
3	Best-House's success is based on its ability to explore new opportunities for the real estate sector.
4	Do you think the company is venturing into new segments or entering another business sector?
5	Currently using new communication channels to reach out to its customers

N°	EXPLOITATION
1	Is Best-House constantly improving the quality and reliability of its services?
2	Has the level of automatic operations increased in recent years?
3	Does Best-House have current information on customer satisfaction?
4	Does the company try to make the maximum use of its existing customer base?
5	Does Best-House efficiently use its digital resources to achieve a higher benefit?

N°	TYPE OF AMBIDEXTERITY
1	What is Best-House's organisational structure like?
2	Does each franchised shop have an innovation/operations area or is it all managed from the headquarters?

3	How does Best-House manage the challenges of coordination and integration between its franchised shops?
4	Best-House is looking for leaders with a vision for the future without ignoring the daily challenges?
5	Leaders of the organisation motivate workers in any area to develop innovation or excellence?

Nº	STRATEGIC FLEXIBILITY
1	Do you consider that the real estate environment is changing?
2	Do you think that the global pandemic covid-19 triggered new ways of providing services in Best-House?
3	Do you think the pandemic made them change the strategy previously followed?
4	What new/strategic processes were implemented at the beginning of the pandemic and are still in use today?
5	Every franchised shop adapts or is flexible to local customs?

Nº	CORPORATE ENTREPRENEURSHIP
1	Best-House has diversified by entering new sectors? What are Best-House's long-term goals?
2	Has the company expanded its operations nationally in a significant manner?

The approximate percentage of investment in innovation over the last 3 years has been as follows:

2020	2019	2018

How would you rate your company's performance compared to your competitors over the last 3 years in relation to the following items?

Results	1: very low / among the worst 7 : very high /among the best						
	1	2	3	4	5	6	7
Sales growth							7
Market share growth							7
Financial profitability							7
Return on investment						6	7
Development of new services						6	7
Global reputation of the company							7