

## Under Pressure: an Ethnographic Report from an Ambidextrous iPaaS Platform Entity

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### Abstract

*This paper presents the findings of an ethnographic field study in a Scandinavian company (“Magic”) offering its clients a cloud-based semantic integration platform as a Service (iPaaS). The platform seeks to enable the integration of data in new ways and thus assist organizations with their digital transformation. The company was established as a subsidiary unit of its parent IT consultancy, representing a well-known strategy to spark radical change and innovation—termed the ‘ambidextrous solution’ in the literature. The paper examines how the ambidextrous framework fit when the subsidiary is a digital platform. New dimensions that include key differences between the pipeline parent and the platform subsidiary is added to the ambidextrous framework. Some of the findings point to several risks for Magic becoming a mini version of the parent firm. As a result, Magic risks being outperformed by big American platform players, such as Google.*

**Keywords:** iPaaS, digital transformation, ambidexterity, platforms, digital anthropology.

### 1. Introduction

Data is key in the digital transformation of organizations. The EU, OECD, and other key actors have stressed the importance of working toward a data-driven economy. A data-driven economy is a digital ecosystem for which data is a strategic asset that is gathered, organized, and exchanged by a network of actors for the purpose of deriving value from it. It has been argued that the accumulated information, in the form of large digital datasets, is leading to a new data economy in which big data infrastructures, products, and services will generate massive economic growth (Flyverbom & Madsen, 2015). New combinations of the organizations’ data, as well as data from external sources, is stated to be key in digital transformations. Digital platforms play a

key role in digital transformations. A platform facilitates the digital opportunity to combine different sets of users, markets, datasets, or IT-systems (De Reuver, Sørensen, & Basole, 2018). A key characteristic of platform companies is the role data play as a value creator in their business models. With increasing digitalization, more cloud services or platforms find their way into organizations (Neifer, Lawo, Bossauer, & Gadatsch, 2021). Integration Platform as a Service (IPaaS) models are “suite[s] of cloud services enabling development, execution and governance of integration flows connecting any combination of on-premises and cloud-based processes, services, applications and data within individual, or across multiple, organizations” (Pezzini & Lheureux, 2011). As IPaaS platforms bring software as a service (SaaS) providers and businesses together, IPaaS platforms can be described as a multi-sided market, where gaining a critical mass of users is of key importance (Pezzini & Lheureux, 2011).

Today, several established firms with traditional and linear value chains consider establishing a platform service. For organizations to spark radical change and innovation, a well-known strategy is to create an independent unit from the parent company. This approach has been labeled the ‘ambidextrous solution’ (O’Reilly & Tushman, 2004, 2016). Google, for example, renamed itself Alphabet in 2015 and made Google a subsidiary, enabling Google to expand into domains outside their established products of internet search and advertising (Alphabet, n.d.). Similarly, the Scandinavian hotel chain Nordic Choice established a subunit, eBerry, to create innovations that would fight back against online travel agencies, such as Hotels.com and Booking.com (Bygstad, Iden, & Ulfsten, 2020). Some key characteristics of the new entities in ambidextrous solutions are a visionary leadership style, autonomy from the parent company, risk taking and experimentation, innovation and growth, groundbreaking initiatives, and new products

and services (O'Reilly & Tushman, 2004, 2016; Stensaker, 2018).

However, digital innovation and platform development were not considered in O'Reilly and Tushman's framework on ambidextrous solutions, and most research using this approach focus on traditional firms. Yet, traditional firms and platform businesses have fundamental different logics and drivers (Van Alstyne, Parker, & Choudary, 2016; Pettersen, 2017), and few -- if any -- have been studied to identify the extent to which an ambidextrous solution plays out for traditional firms that want to establish an entity to create and develop a digital platform. This paper is therefore intended to contribute to this. More specifically, the two research questions that will guide this article are the following:

1. What, if any, are Magic's internal and organizational challenges for the realization of an iPaaS platform?
2. Is the ambidextrous framework valid also for entities that aims to create digital innovation and platforms?

To answer these questions, I use data collected during a holistic ethnographic field study of Magic, involving participant observation and 16 open-ended qualitative interviews with staff and clients. Magic is a Scandinavian platform company (50+ employees) that was established as a subsidiary unit of its parent IT consultancy a few years ago. Magic offers a cloud-based semantic integration platform as a service (iPaaS). Semantic technologies are "technical approaches that facilitate or make use of the interpretation of meaning by machines" (Fürber, 2016, p. 56). Magic's integration platform intends to enable companies' data to be organized and integrated in new ways.

The aforementioned theoretical framework on ambidextrous organizations and ambidextrous leadership (O'Reilly & Tushman, 2004, 2016; Stensaker, 2018) and digital platforms (Van Alstyne, Parker, & Choudary, 2016) was applied. This paper is positioned in the field of digital anthropology, which is profoundly interdisciplinary and shaped by conversations with research in information systems, informatics, media studies, internet studies, and others (Geismar & Knox, 2021).

The paper is organized as follows: I begin by presenting the theoretical framework, which is followed by the methodology section. I then present and discuss the findings before providing my conclusions and offering a model that includes three new dimensions to O'Reilly and Tushman's (2004)

framework for ambidextrous solutions, to include key characteristics for digital platform entities.

## 2. Innovation and ambidexterity

Innovation in organizations is typically hindered by a myopia that makes it difficult to explore new opportunities because the organization is blinded by how things have always been done (Levinthal & March, 1993). One well-known approach to this problem has been to create an ambidextrous solution. Organizational ambidexterity is the ability to maintain the efficient management of ongoing business while simultaneously coping with the changing demands of tomorrow (O'Reilly & Tushman, 2004, 2016; Tushman & O'Reilly, 1996). Any subsidiary unit emerging from the ambidextrous approach must be deliberately and structurally built completely differently from the rest of the organization. It must be given a large degree of autonomy so that it is possible for it to develop distinct capabilities and processes and a separate identity from the parent company (O'Reilly & Tushman, 2004; Stensaker, 2018). To avoid being subsumed by the established culture, the new unit should be placed as far away (geographically and/or organizationally) from established units as possible. Since the two units have different mandates and tasks, employees will be able to specialize. Those who see opportunities in radically new ways of working can apply to the new subsidiary (Stensaker, 2018). Employees who are willing to change thus apply, while those who are skeptical towards the new typically remain at the established unit (Stensaker, 2018).

In ambidextrous solutions, a key difference between a newly established entity and its parent company is culture. The new company should focus on higher risks, pace, flexibility, and experimentation, in contrast to the parent firm's emphasis on efficiency, low risk, and quality. Another difference between a subsidiary unit and its parent's concerns control and incentive systems. The parent company will typically stress margins and productivity, while the new entity should focus on milestones and growth. The strategic objectives follow these lines. The new unit should concentrate on nurturing innovation and growth rather than on costs and profitability. Similarly, the parent company should reach for operational efficiency and incremental improvements in terms of critical tasks. The subsidiary, however, should be oriented toward adaptation, novel products and services, and groundbreaking innovations. Moreover, the new entity should emphasize competence in entrepreneurship rather than strong operational skills (Stensaker, 2018).

Leadership in the branches of an ambidextrous organization also differs (O'Reilly & Tushman, 2016; Stensaker, 2018). While leaders in the parent company might be characterized as authoritarian and top-down; leadership in the new units should be visionary and involving.

The main differences between the parent and the subsidiary unit in ambidextrous solutions are shown in Table 1:

**Table 1. Characteristics of the parent and the subsidiary unit in ambidextrous solutions. Adapted from O'Reilly & Tushman (2004).**

Alignment of:	Exploitative parent business	Exploratory subsidiary business
<b>Strategic intent</b>	Cost, profit	Innovation, growth
<b>Critical tasks</b>	Operations, efficiency, incremental innovation	Adaptability, new products, breakthrough innovation
<b>Competence</b>	Operational	Entrepreneurial
<b>Structure</b>	Formal, mechanistic	Adaptive, loose
<b>Control and rewards</b>	Margins, productivity	Milestones, growth
<b>Culture</b>	Efficiency, low risk, quality, customers	Risk taking, speed, flexibility, experimentation
<b>Leadership</b>	Authoritative, top down	Visionary, involved

The important role of top managers has long been highlighted and studied in the literature, but surprisingly little has been written about management in newly established ambidextrous units (Stensaker, 2018). In one of the few studies, Stensaker (2018) found that none of the managers in the three subsidiaries studied felt they were autonomous. The three organizations were connected to and dependent on their parent companies in different ways. One depended on the parent firm's IT department, another was built on established business units and staff, and the third depended on the parent company in terms of both competence and finances. Although the organizations did different things, all the new unit leaders sought to drive innovation by making clear connections to familiar products and approaches. In one, uncertainty relating to the new unit was reduced by linking its strategy to the group's well-established investment areas. In another, management made use of familiar structures and knowledge of 'what works

here', thus ensuring a recognizable way forward. Implementing existing processes and using known measurement parameters are examples of how established elements are used in new organizations (Stensaker, 2018). One of Stensaker's (2018) key findings is that the two companies in an ambidextrous solution were not as divided or independent as the theory suggests.

Moreover, the object of analysis in O'Reilly and Tushman's (2004) framework was traditional firms. Platform businesses, however, have fundamental different logics and drivers, and must be managed accordingly (Van Alstyne, Parker, & Choudary, 2016; Pettersen, 2017).

### 3. Digital platforms

Various definitions of digital platforms exist, with different concepts stressed as key in their definitions (De Reuver, Sørensen, & Basole, 2018). Simplified, a digital platform facilitates the digital opportunity to combine different sets of users, markets, datasets, and/or IT-systems (De Reuver, Sørensen, & Basole, 2018). It is important to note, it is not the technology per se that facilitates such combinations, yet the platform's business model (Baden-Fuller & Haefliger, 2013). Srnicek (2017) distinguish between five types of platforms: (1) advertising platforms (e.g. Google, Facebook) that extract user data and capitalize on ad space; (2) cloud platforms (e.g. Salesforce, Amazon Web Services, Google Cloud Platform) that own and rent out hardware and software; (3) industrial platforms (e.g. GE, Siemens) that build the infrastructures needed to change traditional manufacturing to internet-connected processes; (4) product platforms (e.g. Spotify) that make use of other platforms to change a traditional product into a service; (5) and lean platforms (e.g. Airbnb) that facilitate assets others own (Srnicek, 2017).

According to Van Alstyne, Parker, and Choudary (2016) a platform business differs from traditional companies for three main reasons: **(1) Resource control versus resource orchestration.** In a traditional company, key assets and resources must be controlled closely for efficacy and to keep others from copying them. In platforms, it is the network of contributors and their assets that are the chief resources. **(2) Internal optimization versus external interaction.** Pipeline firms create value due to a typically linear value chain. Platforms, however, create value by facilitating interactions between external actors. **(3) Creating customer value versus ecosystem value.** Traditional companies seek to maximize the value of individual customers of products and services, who are located at the other end

of a process. Alternatively, platforms seek to maximize the total value of an expanding ecosystem in a circular, iterative, feedback-driven process.

Due to these differences, Van Alstyne, Parker, and Choudary argue that platforms demand new leadership styles: “The skills it takes to tightly control internal resources just don’t apply to the job of nurturing external ecosystems” (2016, p. 9). Thus, managing a platform requires what Van Alstyne, Parker, and Choudary (2016, p. 9) describe as “a new mindset that will design, govern, and nimbly expand platforms”.

#### 4. Methodology

The present study was part of a larger project that examined digital data as a value creator in business models. No research questions, theories nor the type of ethnographic data that was going to be collected was decided prior to conducting the fieldwork, as this is not something anthropologists decide before conducting research because we place ‘theories in dialogue with data’ (Boellstorff, Nardi, Pearce, & Taylor, 2012, p. 162). One of several findings from this study, concerns the ambidextrous aspects that this article present.

Because the study’s central objective is to develop an in-depth understanding of a digital platform entity, a qualitative and holistic approach was chosen. Understanding organizational experiences require research methods that can access situatedness—those that draw on observation, with whatever degree of participation, to generate data (Yanow, 2006). I therefore undertook ethnographic fieldwork at Magic during November and December 2019. Ethnography is the close study of the everyday lives of individuals and groups in their social settings and typically involves the development of close connections between ethnographer, subjects, and situations (Hammersley & Atkinson, 1995).

Since most companies are reluctant to allow researchers in with free access to their employees and company information, they need a strategy to gain access. I got access to Magic through my professional network, as I worked several years in the IT-industry before I entered academia. While being in the field, I took on a learning role in addition to using my own background as a consultant and concept developer to be perceived as someone with experience of what a workday in the techworld look like and as someone to discuss “tech stuff” with.

When working in the field, I observed the everyday actions and activities of the participants. I worked in an open-plan office together with the employees, and I participated in meetings and business

presentations for clients, as well as at social events with staff and their customers. I took systematic notes in my field diary (Emerson, Fretz, & Shaw, 2011).

In addition, I carried out open-ended interviews with 13 staff members (two women and 11 men, as well as with three of Magic’s clients (all men) (Table 2.), two of which took place in their own locations/contexts. All the interviews were recorded, transcribed verbatim, and anonymized. The interviews lasted approximately one hour.

**Table 2. An overview of the sample of interviews in this study.**

Interviewees	Role	Organizational location
Male, 40s	Consultancy manager	Sales and consultancy
Male, 40s	Consultant	Sales and consultancy
Male, 40s	CEO	Management
Male, 40s	Head of sales and marketing	Management
Male, 40s	Programmer	Product development
Male, 30s	R & D architect	Research and development
Female, 30s	Lawyer	Administration
Male, 30s	Product manager	Product development
Female, 30s	Partner manager	Sales and consultancy
Male, 40s	Business developer	Sales and consultancy
Male, 30s	Support	Support/Product development
Male, 30s	Sales manager	Sales and consultancy
Male, 40s	Head of R&D	Research and development
Male, 50s	CEO of a small company (11 employees) (IT industry)	Client
Male, 50s	Key role in a medium size public organization (120 employees) (cultural industry)	Client
Male, 50s	Key role in a large multinational	Client

	(16000 employees in 20 countries around the world) (energy industry)	
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The interviewees represent all the internal resources or roles and departments at Magic. The clients interviewed are from both the public and private sector, and operate in different industries.

In addition to the interviews, I had access to several other types of data including: informal conversations with most of Magic’s staff during lunch and coffee breaks, Magic’s business strategy and other documents (e.g. PowerPoint presentations and flyers). I also analyzed their website, job advertisements, LinkedIn profiles, and other social media channels. In April and May 2023, I contacted and met several of the participants with follow-up questions regarding the status quo.

The data analysis process took place in several phases. First, during the data collection, which involved moving back and forth, including new dimensions along the way, and sometimes contacting the participant at a later stage with follow-up questions. Second, the interviews were listened to repeatedly and the field diary was read a number of times while searching for themes, taking notes, and developing analytic categories and constructs. Finally, the findings were presented to the management and staff in Magic to validate the findings, which they did.

#### 4. Findings

I am handed an access card, an entry code, and an available desk in the open office landscape where the guys from R&D sits, next to the management hub. It is my first day at fieldwork in Magic, and a note about who I am is posted in their internal communication platform Slack. Fifteen minutes after my arrival, I have a short meeting with Harry. He explains they try to take the platform to markets, yet they do not really know how. Selling the platform is problematic, he continues. “We are trying to build a product. We have gone from bits and pieces and code to API. But we need to increase sales”.

Harry is one of the four programmers who developed the first version of the integration platform some time ago. The other three are Max, Walter, and David. All are men and were in their 30s and 40s when they developed the first version of the platform.

When Magic was established, Max was appointed as CEO, Harry as CTO and head of R&D, and Walter as one of two managers in the consultancy and sales

department. David left the company before Magic was established. Max has been programming from a very young age, and he met Harry and Walter while working at the parent company. They soon became close friends. Harry is the brain of the group, so I am told, but he often had visionary and abstract ideas that the other two did not think would be easy to code and implement. Walter is the most extroverted and Max is calmer and a good listener.

#### 4.1. Incremental improvements rather than radical change

There has been some internal disagreement between Max, Harry, and Walter about aspects relating to the development of the platform. For example, at one point, Harry secretly developed a completely new integration platform from scratch based on what he thought was groundbreaking innovation instead of maintaining the direction the current version had taken. Max, however, wanted to improve the existing version rather than create a completely new product. The original version was created in Python, which makes the system slow when running several processes in parallel, one of the interviewees explains. It also uses RDF as the programming language, which is not known by many programmers. Walter’s alternative was to use JavaScript, which would solve both of these issues.

Max keeps a very close eye on development. He knows it all backwards and forwards and has several meetings a week with the programming and development teams, where bugs, updates, and new iterations are shared and discussed. Requests for new platform functionality are entered into a system and employees vote on them with regard to priority. Max takes these voices into account when he, in consultation with the product manager, determines how the product should be further developed. It is emphasized that “what will be prioritized for next year’s development cannot come from the product department, but from the sales department”. Ultimately, Max decides what to update, what to launch, and which aspects to develop.

Thus, innovation of the platform is characterized by incremental improvements rather than the kind of radical change that Harry was exploring and suggesting.

#### 4.2. Inherited culture from its parent

Although Magic separated from its parent IT consultancy company a couple of years ago, it has the visual appearance of a start-up. The meeting rooms are named after *Star Wars* films, there is a beer tap in the

little kitchen, the lavatories are called Mr. and Mrs. Pipeline after a key construct in the platform, and most people dress informally in band t-shirts, jeans, and sneakers. Employees describe the culture in Magic as positive, open, hardworking, cooperative, and flat and say that employees tend to be “super-nerds.” Some employees believe that the culture at Magic differs from that of its parent company by having this start-up identity, while others think it is much the same. Yet, one employee refers to Magic as “a mini-parent company” and thinks they are not sufficiently decoupled from them. Plenty of visual symbols, including pens, stickers, and notebooks with the parent company’s logo, are easy to spot in Magic’s office space and symbolizes a close tie between the two entities.

### **4.3. Close neighbors**

Magic’s parent company is in the same building and there is a shared canteen where employees from the two companies have lunch together. Magic is only a floor away from its parent. Employees from both enter and leave the workplace from the same entrance, and they bump into previous close colleagues every day. Several of the Magic employees who used to work at the parent company think that Magic should be more differentiated and independent than it is. The parent company’s CEO occasionally has meetings with Max in Magic’s meeting rooms. Max wearing his baggy jeans, sneakers, and a colorful shirt, the top manager in formal shirt and pants.

### **4.4. Dependency and autonomy at the same time**

Magic receives administrative assistance, like accounting, from the parent company and top management from the parent company are also members of Magic’s board. Magic must deliver according to the parent company’s mandate. Max explains:

We have actually been allowed to do what we want; we have been allowed to be a start-up within a safe framework. So, for us, it’s really a fantastic situation. You have the security, you have the customer base, you have all the administrative services, with accounting and all that handled for you, so you can focus on what you need. So, it has meant that we have been allowed to do quite a lot as we want. We have not had very strong demands on us. We have not been pushed so much. And it is interesting whether it is wise or not. ...It has given us the freedom to do what we want, and

maybe not so much pressure to make more money. The downside is that we have done as the parent company has always done. We build stone upon stone, and the growth is quite soft. We hire people as we need them; we land one customer at a time.

Having economic backup from the parent company is known to be important for ambidextrous solutions to succeed (O’Reilly & Tushman, 2004, 2016). Although Max experiences autonomy on the economic side, he is also exposed to an asymmetric power relationship with the parent’s CEO. Once, the parent company’s CEO shut down Magic’s plans for a specific service the platform should offer, as they could potentially harm the parent company’s customers.

However, as Max points out, and as will be discussed shortly, the parent company’s billing hour practice is increasingly being adopted by Magic.

### **4.5. Competence among staff**

In terms of the competences that characterize Magic’s 50+ employees, there are frontend and backend programmers, developers, data analysts, business analysts, mathematicians, interaction designers, lawyers, and consultants with different kind of backgrounds. Many, especially new staff who did not work in the parent entity, are visionary and see many opportunities with the platform; they have ideas for how Magic should move forward. However, most of the staff (n = 31) work as consultants or salespeople. Another 13 work with product development, and three are in R&D. Thus, despite that many of the employees are open for change and new ways of working, the majority of them work in areas related to operations rather than to innovation and entrepreneurship.

### **4.6. Growing a ‘billing-hours’ practice**

By the beginning of 2020, Magic had sold around 110 subscriptions, far too few I am told, and they are trying to increase the number of sales significantly. Magic targets several industries, but they do not have a clear plan of which markets they want to approach and enter. “There is an underlying strategy there, but the strategy will be created a bit along the way”, one employee explains. Magic’s business model is based on the number of gigabytes of data a client uploads to the platform. Consequently, the aim is to sell licenses and create partnerships. “This gives a consultant versus a product approach,” explains one employee. “It’s the classic conflict between sales and product,” says another. As stated, a large proportion of Magic’s

internal resources work as consultants and sales personnel, assisting customers in utilizing the platform to the fullest, driving additional sales, and landing new partners. These consultants invoice their hours, and Magic's revenue is divided 50/50 between consulting services and subscription fees. Consultancy is an easier way of making money than selling subscriptions, the employees explain.

To increase revenue, Magic's management closely monitors projects and the number of sales and potential sales. They also created stronger sales directives around Christmas 2019, when employees were informed they would be measured on sales to a greater extent than previously. Even employees working in R&D were told to spend 50% of their time invoicing customers. Billing hours is how the parent company creates its consultancy revenue and is thus an example of an inherited practice aligned with Max's point about building stone upon stone with soft growth. However, a key characteristic with platforms is not reaching for growing sales, yet growing platform users and user's interactions (Van Alstyne, Parker, & Choudary, 2016). Offering free services is, for example, a strategy many platforms apply to attract a critical number of users or members to their platform. While the main value in traditional companies are customer value and measurable profit, the main value in platforms' business models concern the ecosystem and the network value. Following this logic, Magic should aim for increasing the number of platform users and the number of datasets from different IT-systems uploaded to the platform. Similarly, another key characteristic with platforms is how resources are managed strategically. In traditional firms, resources are closely controlled and managed. In platforms, however, the valuable assets are the platform's network and ecosystem. These are assets that require orchestration, not close control (Pettersen, 2017).

Inherited practices, like Magic's practice of billing hours, is closely related to key questions about what the platform should be: a stand-alone product or part of a broader IT portfolio and other's IT ecosystems? As Max puts it, is it a complete car or the engine in another vehicle's body? Max favors the latter, but not everyone agrees with that strategic choice.

#### **4.7. Strategic choice**

Max and others describe the platform as an engine that can be placed into the shells of other IT systems and portfolios. They do not want it to be a stand-alone product, but part of other companies' IT ecosystems, which aligns well with a platform logic. The platform is intended to be integrated into the IT portfolio that a

firm already has, so partnerships are equally important to realize the strategy of being an engine rather than a complete car. As such, Magic's strategy has established a process through which they aim to enter into cooperative partnerships with relevant significant players who can implement the platform in their product portfolio. Magic's strategy is therefore about developing partner relationships because they want to be present in as many places as possible. As an incentive for such collaboration, partners receive a cut from Magic.

However, not everybody thinks this strategy is good; some feel it is unclear where management wants to take the company because the engine approach reaches out in different directions. "It helps little to have the world's best engine if you do not also have a body that can paint a picture of the many and fantastic possibilities that lie in the platform," one employee says.

It is nevertheless difficult to use Magic's platform as a stand-alone product or without help from the company's staff. As one client states, "The challenge is that the platform does not have any design. If we want people to use it, it must have a user interface (...) Design is necessary for people to be able to understand the functions of the platform." This reflects Neifer, Lawo, Bossauer, and Gadatsch's (2021) findings that European IPaaS platforms, in particular, have poor usability. Usability is a well-known strategic priority at companies like Google. Moreover, it is critical that platforms have a "strong up-front design that will attract the desired participants, enable the right interactions (...), and encourage ever-more-powerful network effects" (Van Alstyne, Parker, & Choudary, 2016, p. 8). However, "managers often fumble here by focusing too much on the wrong type of interaction. And the perhaps counterintuitive bottom line, given how much we stress the importance of network effects, is that it's usually wise to ensure the value of interactions for participants before focusing on volume" (Van Alstyne, Parker, & Choudary, 2016, p. 8).

Another customer found the platform's low usability frustrating because it required him to rely on his own organization's IT department. Thus, Max's strategic choice of not prioritizing a user-friendly platform design has clear implications for both its use and its potential to create the needed ecosystem the engine should be part of. Furthermore, since the platform is very technical and is not user-friendly, it is mainly an organization's IT department that is involved with Magic's platform. However, IT-personnel are less concerned with their organization's data-related business opportunities and are more

concerned about controlling data, I am told from employees.

#### 4.8. Lacking visionary leadership

Employees at Magic are fond of their CEO: “Max is super nice. He is a people person and always has time to listen to you when you ask him about stuff. He is a very kind person, down to earth, cares about us, and wants the best for everybody,” one of the interviewees tells me. This is easy to observe: Max works long hours, and his office is constantly packed with different meetings as well as people stopping by to say hi. However, although the staff like Max as a person, some think he is less than visionary as a leader. This seems correct, as Max himself admits he does not want that kind of role. On the contrary, he wants both to be close to the technicalities and development of the platform *and* to be the CEO of Magic on his own terms. However, as platforms require new approaches to strategy, they also demand new leadership styles (Van Alstyne, Parker, & Choudary, 2016), especially one that is visionary and enables the creation of a strong culture with a clear vision that unites and guides employees in the same strategic direction. Max has not managed to create a compelling vision justifying creating an engine – and not a car – as the best strategy for Magic and the platform.

Some years after my initial fieldwork, I contacted several of this study’s participants. Except from the programmers, Harry, Walter, and many of the other employees have left Magic and now work elsewhere. Max is still the manager, and the platform is still programmed in Python and uses RDF. One of the clients I contacted two years later after our interview, explained they still use Magic’s platform, but they had also invested in a cloud platform from Google because it enabled them to work more independently from their IT department to gain access to their own data. “In order to achieve data quality, there should be flow where the person who creates the product can work independently, from need to publication. This is easier to do with Google than with Magic’s platform”, the client explained.

### 5. Discussion and conclusion

This article has presented insights from an in-depth and holistic ethnographic study of a Scandinavian company that was established as a subsidiary by the parent company to offer a digital iPaaS platform to organizations. Analyzed through the lens of ambidextrous organizations and leadership (O’Reilly & Tushman, 2004, 2016; Stensaker, 2018). and applying the literature on platforms (Van Alstyne,

Parker, & Choudary, 2016; De Reuver, Sørensen, & Basole, 2018), I return to the first research question: *what are Magic’s internal and organizational challenges for the realization of the iPaaS platform?* The findings show, similar to Stensaker’s (2018) findings, that the new entity is closely connected to its parent company. Actually, the findings show that Magic draws upon several established organizational practices from its parent consultancy company, which are all characteristics that O’Reilly and Tushman’s (2004) list in their framework for organizational ambidexterity for the established parent company, and not the new entity.

First, according to the literature on organizational ambidexterity (O’Reilly & Tushman, 2004), the critical tasks a newly established unit should focus on are adaptation, novel products and services, and groundbreaking innovation. Magic, however, focuses on the operations, efficiency, and incremental improvement, which is more typical of parent companies.

Second, the new entity should structurally be located geographically far from the parent company, and the culture in the subsidiary unit should differ from the parent exhibiting more risk taking, higher pace, more flexibility, and more experimentation (O’Reilly & Tushman, 2004; Stensaker, 2018). Magic is located in the same physical building, shares the canteen with the parent company, and its culture is interpreted by many employees as a miniature version of its parent.

Third, while Magic is autonomous though economically supported by parent company, the parent’s CEO also keeps a controlling eye on the strategic choices Magic makes.

Fourth, a new entity should nurture milestones and growth, not margins and productivity (O’Reilly & Tushman, 2004; Stensaker, 2018). Accordingly, Magic should be characterized by innovation, not profitability. The use of known measurement parameters is an example of how established elements can be adopted in a new entity (Stensaker, 2018). Magic has increasingly introduced the parent’s practice of pressure on sales, nurturing a billable hour practice, and creating systems to control margins more than milestones and growth. This means that less attention is both being directed to (a) innovating the product (like CTO Harry suggested) and (b) positioning the platform in a larger ecosystem (like CEO Max wants). This is especially evident in Magic’s decision to even ask R&D staff to bill clients for 50 percent of their time.

Fifth, the previous point is closely related to decisions about the platform, where CEO Max wants to build an “engine” for others to implement in their



services. This choice is well-aligned with a platform and ecosystem logic, where value is created by facilitating interactions between external partners (the ecosystem) and not on customer value (Van Alstyne, Parker, & Choudary, 2016). For example, because the platform has very technical characteristics and poor usability, clients need many of hours of training to learn how to use it. These issues make it also difficult to sell. Although Magic has a partner strategy, it seems that selling licenses to the platform is the dominant discourse at Magic.

Sixth, CEO Max has an involved but not the visionary leadership style that O'Reilly and Tushman (2004, 2016) stress as important for new entities. Also, Van Alstyne, Parker and Choudary (2016) stress that managing a platform requires a new mindset and leadership style. Max has a technology focus, and he does not want to have a visionary role. He wants to both control the development of the platform and technical details, as well as manage Magic in his own, personal, and calm way.

Seventh, in regard of competence among the staff in Magic, the findings revealed that many of the employees could be characterized as being entrepreneurial and visionary, yet that the majority of them work in areas related to operations rather than to innovation and entrepreneurship.

To conclude on the first research question, Magic exhibits most of the characteristics that the literature indicates for traditional parent companies rather than subsidiaries in the context of an ambidextrous organization.

Given the first finding, the second question asks whether *the ambidextrous framework is also valid for entities that aim to create digital innovation and platforms?* the analysis suggest that O'Reilly and Tushman's (2004) framework is still valid and provides an important guide for organizations that want to establish a subsidiary to create radical innovation. Yet, the framework would benefit from being updated to better capture dimensions identified that were not as relevant as when the framework was created. For example, the original framework did not consider the characteristics of platform businesses, which I argue are equally important and relevant for subsidiaries formed to foster digital innovation or digital platforms. Building on several of Van Alstyne, Parker and Choudary's (2016) key points and these findings, the following characteristics should be added: *the business model's value creation* (customer value and profit versus ecosystem and network value), *goals* (growing sales versus growing interactions), *strategic management* (controlling resources versus resource orchestration). Additionally, characteristics like *internal optimization versus external*

*interaction* should be added to the existing framework's 'control and rewards' category. Table 3 reflects the recommended additions to the framework for ambidextrous organizations:

**Table 3. Characteristics of parent companies and new platform units in ambidextrous organizations by merging O'Reilly & Tushman's (2004) framework with several of Van Alstyne, Parker and Choudary's (2016) key components for pipeline companies versus platforms businesses:**

Alignment of:	Exploitative Pipeline Parent Company	Exploratory Platform Entity
<b>Strategic intent</b>	Cost, profit	Innovation, growth
<b>Main value in business model</b>	Customer value, profit	Ecosystem and network value
<b>Critical tasks</b>	Operations, efficiency, incremental innovation	Adaptability, new products, breakthrough innovation
<b>Competence</b>	Operational	Entrepreneurial
<b>Structure</b>	Formal, mechanistic	Adaptive, loose
<b>Control and rewards</b>	Margins, productivity	Milestones, growth
	Internal optimization	External interaction
<b>Goals</b>	Growing sales	Growing interactions
<b>Culture</b>	Efficiency, low risk, quality, customers	Risk taking, speed, flexibility, experimentation
<b>Leadership</b>	Authoritative, top down	Visionary, involved
<b>Strategic management</b>	Control resources	Resource orchestration

With this updated framework, companies like Magic and its parent might be more aware of the key elements that need to be aligned when creating an ambidextrous solution with the objective of digital innovation and creating digital platforms. The lessons learned from Magic include: the importance of placing the new entity geographically and organizationally far away from its parent; the importance of autonomy from the parent company, and the need for strong and visionary leadership. Strong and visionary leadership with a risk-taking mindset is perhaps more important than the previous literature has stressed, especially for new entity platform managers. They also need to better understand the drivers and logics that characterize

platforms; beware of falling back to approaches and solutions the parent company would use—including revenue generation; and organize internal resources in line with the dimensions identified exploratory platforms. One last piece of advice would be to recruit a fresh base of employees, in addition to employees from the parent, that are open for radically new ways of working and change.

Due to the many challenges that were revealed in this in-depth and holistic study of Magic, one particular risk is that it could be outperformed by big platform players, such as Google. As Neifer, Lawo, Bossauer and Gadatsch (2021) found in their study from Germany, IPaaS platforms that lack usability and user experience can struggle. This is also the case for Magic's IPaaS platform. IPaaS customers expect user-friendly and simply designed platforms, yet European platforms "have a lot of catching up to do compared to the US competitors" (Neifer, Lawo, Bossauer, & Gadatsch, 2021, p. 52). Like most digital platforms, the majority of IPaaS platforms are provided by US vendors (Neifer, Lawo, Bossauer, & Gadatsch, 2021). Thus, the overall risk is that Google maintains its monopoly within the digital transformation ecosystem and fewer European or Scandinavian players will be able to offer alternative platforms. Magic is, like Queen and David Bowie sings in their song, under pressure from both internal and external sides.

Thus, European companies should take both the characteristics listed for new entities in O'Reilly and Tushman's (2004) framework, the dimensions I add to their framework, as well as usability factors seriously or these platforms will continue to be dominated by players in Silicon Valley.

## 6. Acknowledgements

A big thanks to all employees at Magic and especially Max for letting me do this fieldwork. I also want to the two anonymous reviewers for their constructive feedback that enabled me to develop my theoretical framework further.

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