

Organizing for Innovation

Organizational models that support strategic innovation

For most organizations, the ability to deliver innovative solutions on a sustainable basis requires them to look within and to renew the fabric of the business itself. There are three aspects of this internally-focused innovation:

- **Culture** – the mindset and norms that allow individuals and teams to think imaginatively, to take prudent risks, and to seek out, create and introduce innovative solutions
- **Process** – the general business processes and practices that enable functional groups to operate effectively and collaborate toward a common goal – as well as a robust set of innovation methodologies and tools
- **Structure** – organizational structures and supporting technologies that enable collaboration across functional lines

This paper looks at the third aspect and briefly describes six organizational models that support innovation, each with different goals and levels of formality and complexity. All except the “ambidextrous organization” are relatively informal, “virtual” models in which the personnel involved continue to report into their traditional functional groups.

Innovation Project Team

This is a multi-disciplinary virtual team that works together for a finite period – perhaps to identify innovation opportunities and/or to deliver a specific project. The team is comprised of (1) different functions (e.g., consumer insights, R&D, marketing, brand management, manufacturing, channel management, sales, and from outside the sponsoring business unit or geography, etc.), (2) different levels and perspectives (decision makers, subject matter experts and implementers), and (3) different mindsets (strategic thinkers comfortable with an ambiguous, exploratory process, and pragmatic, operational thinkers).

Expert Network

This is a set of individuals inside an organization with specialized expertise/knowledge who are known as the “Go To” persons on that topic. Typically, these individuals do not often interact with each other, but are

called upon independently as needed. However, some combination of the network may be brought together on an “event” basis to address a specific issue. As these experts become more actively involved with each other, an Expert Network might evolve to become a Community of Practice. Sometimes a set of content experts from outside the organization may be formed as an external Advisory Board.

Shared Services Organization

Some enterprises establish corporate-level functional groups to provide specialized services (e.g., “Corporate Marketing”, “Corporate Market Research”, “Central R&D”) that act as a resource to their counterpart functions in the business units. These groups often offer specialized skill sets not available at the BU level. They may conduct ongoing research (e.g., scanning for emerging technologies, large-scale trend analysis) or short-term projects, or seek out and contract with specialized third party resources.

These shared services groups are tightly aligned with the needs of the business units, so that they can deliver explicit value. At the same time, part of their charter is to “push the envelope” of BU-level thinking, by engaging in activities and explorations that are not on the business unit’s radar screen. Example: 3M.

Innovation Community of Practice

A “Community of Practice” is a self-governing, multi-disciplinary virtual community focused on learning, generating knowledge and building capability around a specific topic – in this case, Innovation. One goal of such a community is to gather “tacit knowledge” so it can be leveraged as “explicit knowledge” that becomes more accessible across the organization.

Supported by a technology platform with online collaborative tools, an Innovation Community of Practice might share several types of information: market research, consumer insights, “work-in-progress thinking”, specific new product platforms and concepts, procedures, templates, best practices/“next practices”, and an “idea bank”.



Over time the goals, levels of formality and participant roster of the community will change. After initially focusing on information sharing, the community may evolve so that members collaborate in real time on specific projects. A successful community is not viewed as a “rogue activity”, but is acknowledged and supported by senior management as a critical enabler and driver of innovation across the organization.

Ambidextrous Organization

This is a small, autonomous, multi-disciplinary group, whose role is to drive rapid implementation. This cohesive group typically has its own staff, a physically distinct location, separate funding, discrete performance metrics, and often a highly entrepreneurial culture, etc. This relatively independent operating structure is intended to allow the group to effectively manage its own destiny without interference from the larger organization.

With “starved resources” a reality at many large organizations, functional managers are often reluctant to allocate funding and staff, especially to projects they perceive as risky, or that don’t help them meet their own performance metrics. The ambidextrous approach establishes strong operating agreements that protect fragile start-ups or experimental ventures, especially in the area of financial and human resource allocation. The ambidextrous organization draws upon selected corporate resources (both initially and over time) and may in some cases have special provisions that facilitate better access to resources or quicker turnaround. Example: 8th Continent, a joint venture by DuPont and General Mills.

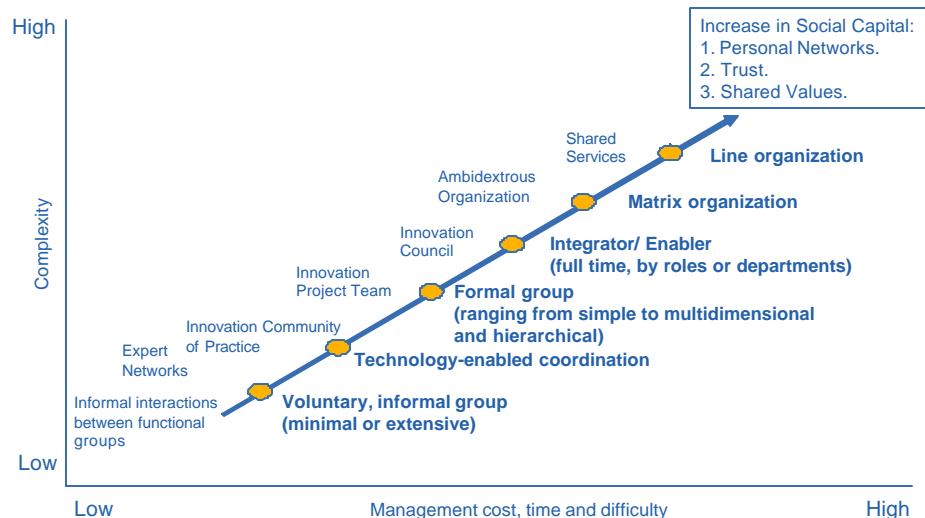
Innovation Council

Composed of senior personnel from various functions (e.g., an executive sponsor for enterprise innovation, R&D, business line executives, marketing, finance, HR, etc.), the Innovation Council’s role is to establish corporate priorities for new ventures, and to sponsor and support entrepreneurial efforts that may drive growth in new areas. A “venture team” (or an individual) with an unfunded idea or business concept presents a proposal to the Council. The Council provides feedback, funds the most promising ventures, provides a variety of resources and facilitates introductions to external parties that can provide support. Examples: Intel, HP, IBM, 3M, Shell.

First steps

Several of these models (as well as the usual informal interactions between functional groups) may exist within an organization at the same time. All help an enterprise drive growth by taking a strategic approach to innovation. Some models arise and evolve spontaneously, while others need to be intentionally created and managed. As seen below, increasing levels of complexity are accompanied by increasing commitments in terms of cost, time and maintenance. At the same time the organization will benefit from the “social capital” that drives sustainable innovation, namely personal networks, cross-functional trust and shared values. There is no typical “migration path” that an enterprise would follow. When exploring alternative organizational structures the first steps are to understand what kinds of structures currently exist within the enterprise, and then to assess the extent to which these structures are aligned with and support the organization’s strategic goals.

The key is to choose the organizational model(s) that best supports strategy execution. Too little organization results in poor execution, while too much results in excessive cost.



About InnovationPoint LLC

InnovationPoint is a non-traditional consulting firm that helps its Fortune 1000 clients take a strategic approach to innovation. InnovationPoint blends traditional and unconventional methodologies to identify breakthrough opportunities, develop growth strategies and new products, and to align organizational strategy and design in a way that supports sustainable innovation. InnovationPoint’s clients include Hewlett-Packard, Cisco, PepsiCo, Frito-Lay, Philips, Charles Schwab and Nestlé.