



Exploring Best Practices in Organizational Structures for Innovation

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A Little Bit of History...But Not Much

- ▶ RI Phase I: 1995-2000
- ▶ Longitudinal Study of 12 Radical Innovation Projects in Ten Mature Firms
- ▶ Definition of Radical Innovation
- ▶ Radical Innovation Lifecycle
- ▶ 4 Dimensions of Uncertainty, not 2
- ▶ 7 Challenges
- ▶ RI Maturity



RADICAL INNOVATION:
*How Mature Companies
Can Outsmart Upstarts*

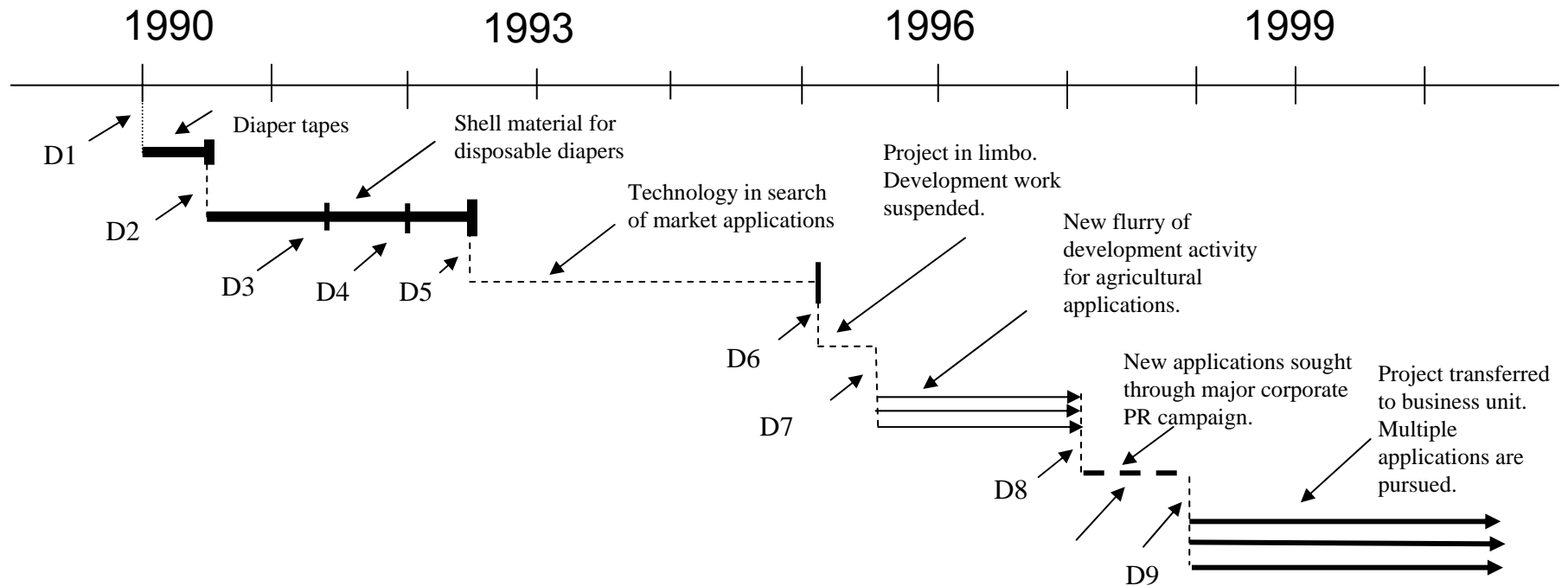


Defining Radical Innovation

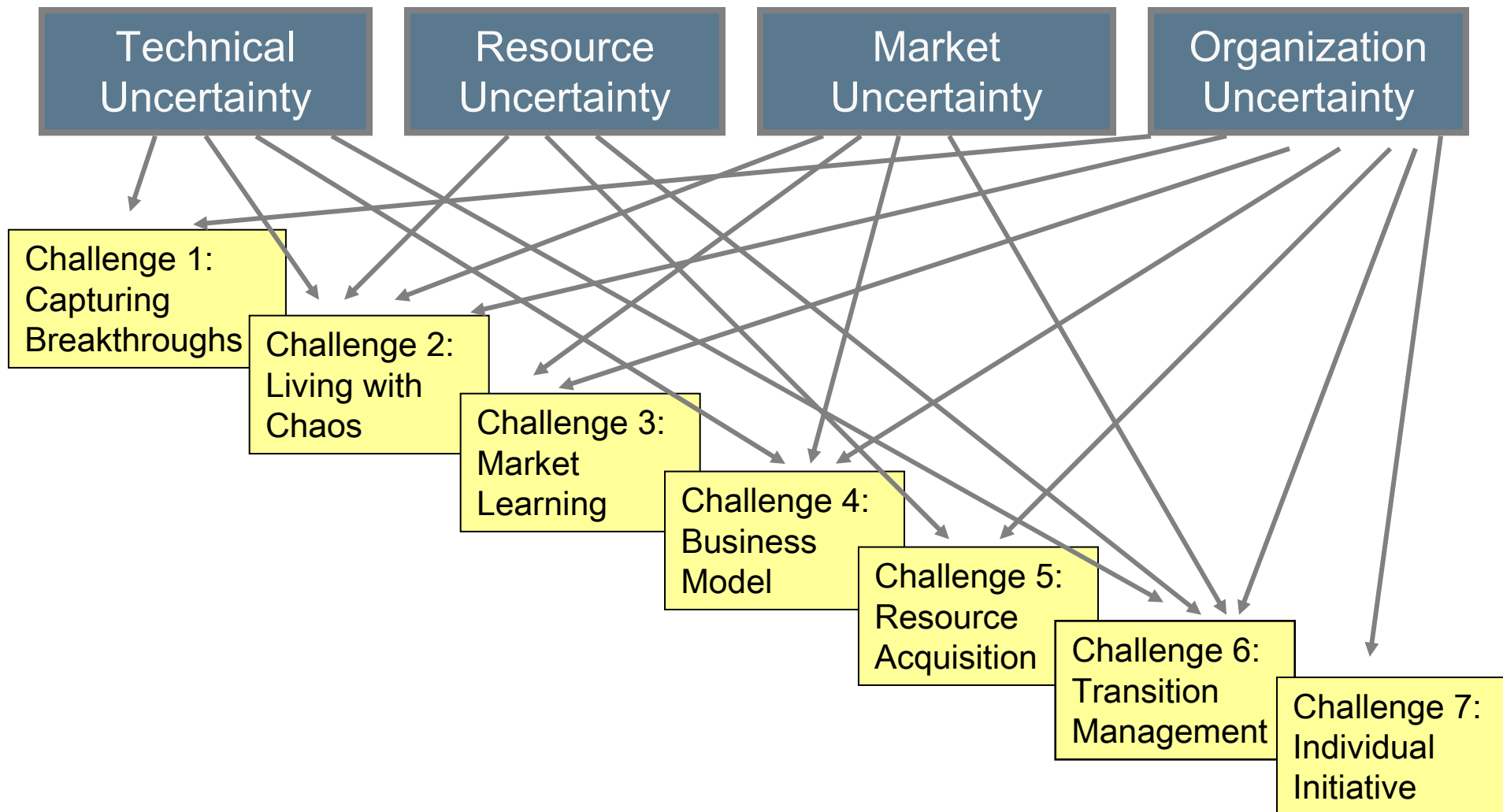
- Projects had an identified team and budget, and were perceived as having the potential to offer either
 - New to the world performance features
 - Significant (5-10x) improvement in known features
 - Significant (30-50%) reduction in cost

A Radical Innovation Project Lifecycle:

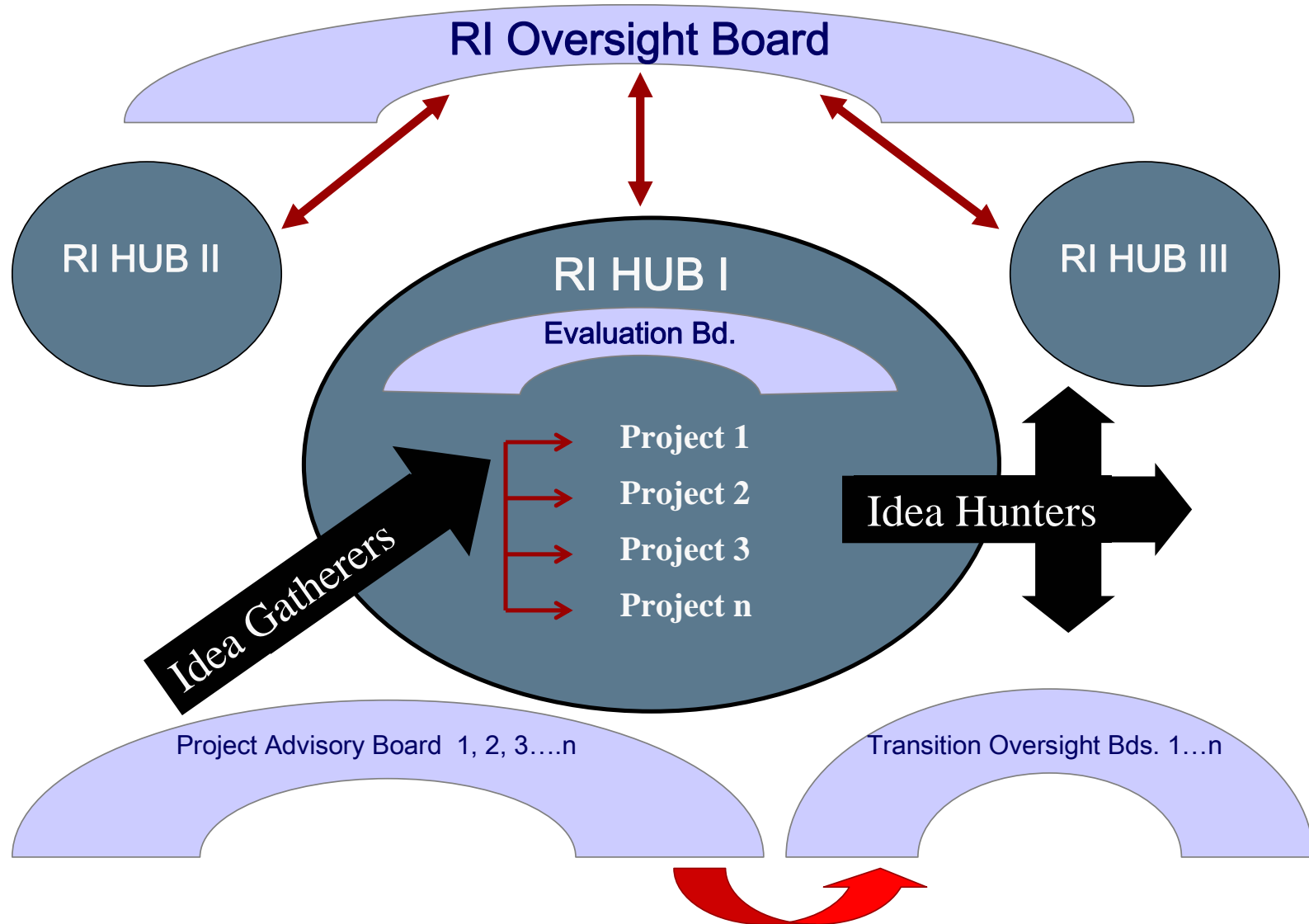
DUPONT BIOMAX



Comprehensive Framework for Managing Radical Innovation



The Radical Innovation Hub





The Radical Innovation Learning Curve

Radical innovation *maturity* is defined as the degree to which the organization has embedded a system for initiating, supporting and sustaining RI activities



Average Life Expectancy of an RI system: 4 years



Early vs. Mature RI Capacity: Our Point of Departure

Early	Mature
Executives act as provocateurs, patrons, and champions to compensate for lack of supportive culture.	The firm's leadership sets expectations, develops RI culture, establishes facilitating organizational mechanisms (hubs) and develops goals & reward systems.
Mavericks try to catch the attention of patrons. There is a lack of infrastructure and systematic approach.	RI idea hunters seek opportunities. Hubs establish effective evaluation boards. Non-traditional marketing & business creation personnel work with RI technical teams to develop business models. There is a learning orientation to project management
Acquisition of resources is ad hoc. Project teams often expect a budget allocation for funding.	Individual managers with authority to provide seed funding and internal VC organizations provide multiple sources of capital for RI. The firm adopts a portfolio approach to funding RI projects.
Completion of RI tasks, project staffing and champions rely on individual initiative.	RI hubs work with HR to develop a strategy for identifying, selecting, rewarding and retaining RI champions, experts and team members.
Communication difficulty makes transition difficult, often flounders and relies heavily on intervention of senior management.	Transition team established with funding and senior mgmt support continues development until uncertainty reduced for successful transition.



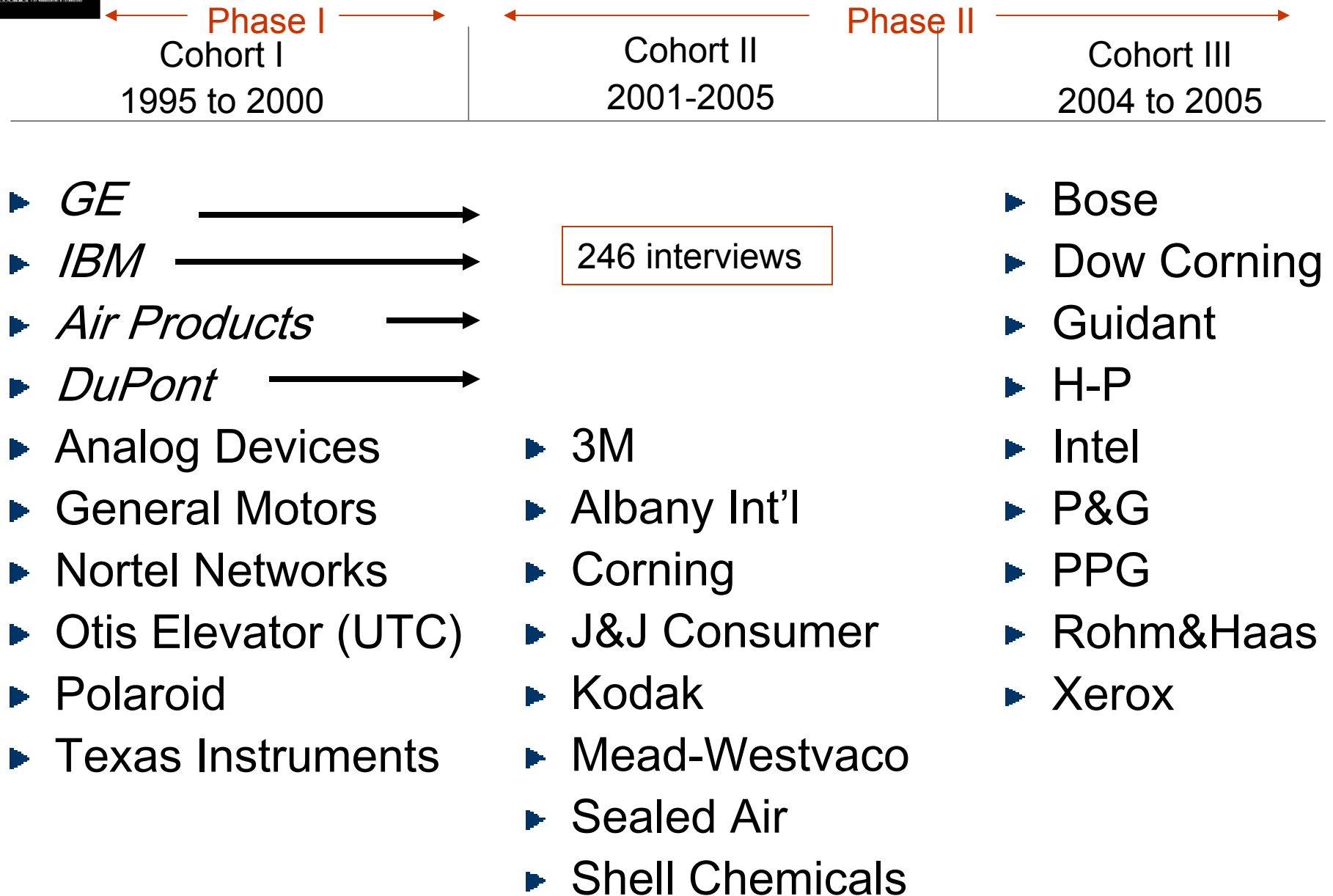
Objectives of Phase II Research

Corporate Competency Development for the Management of Radical Innovation

- Objective: To understand how organizations can systematically develop, evolve and sustain their radical innovation competencies.
 - What firms are doing to develop and support radical innovation, as a distinctive activity, requiring distinctive management techniques:
 - Leadership and Culture
 - Organizational Structure and Interfaces
 - Governance and Decision Making
 - Specific Processes and Tools
 - Skills
 - Metrics
- Mechanisms to enhance an organization's RI capability.
- Most effective implementation techniques for instituting those mechanisms.



Companies in the Study





Phase II Key Insights

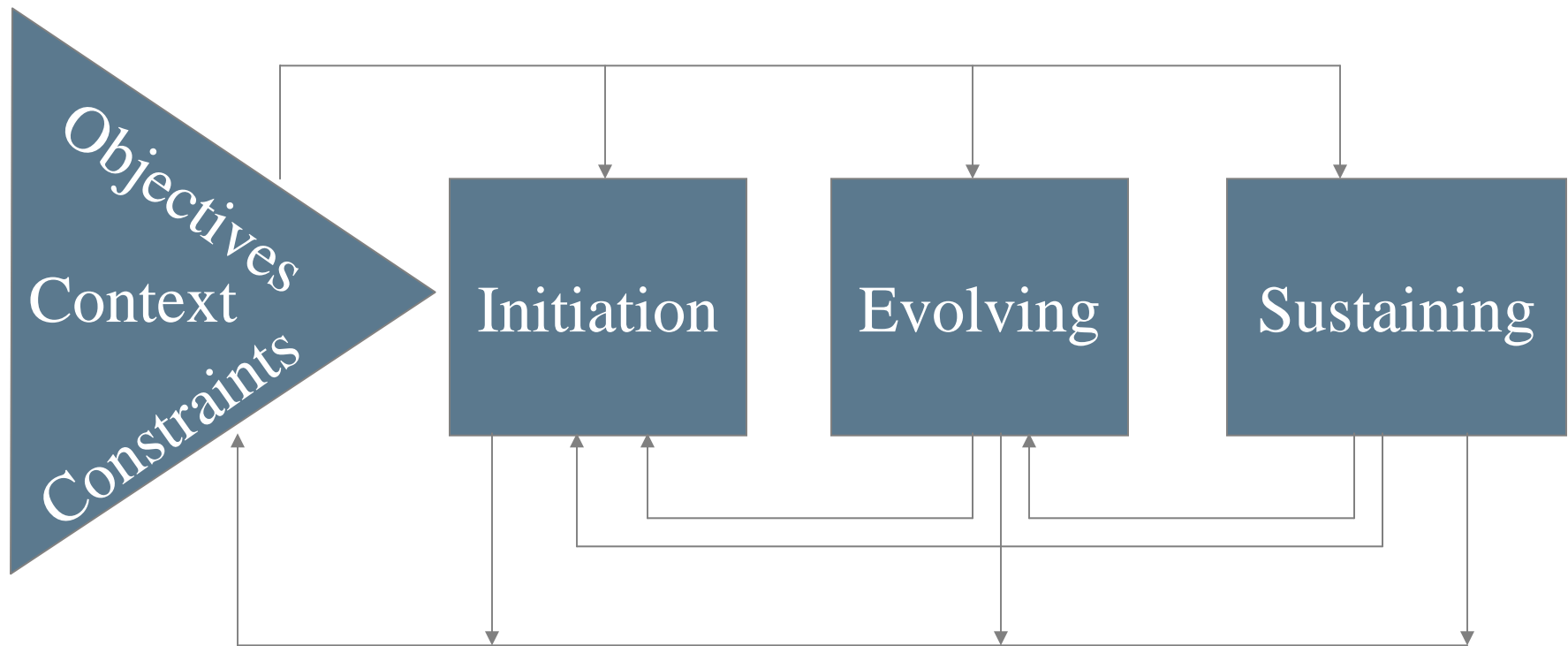
- RI capability develops in stages.
- Organization structures for Radical Innovation
- The D-I-A model.
- Organizational capacity.
- Orchestration.



Phase II Key Insights

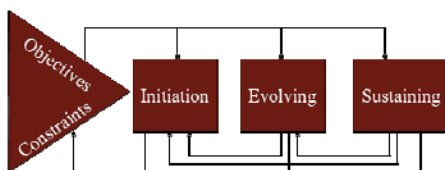
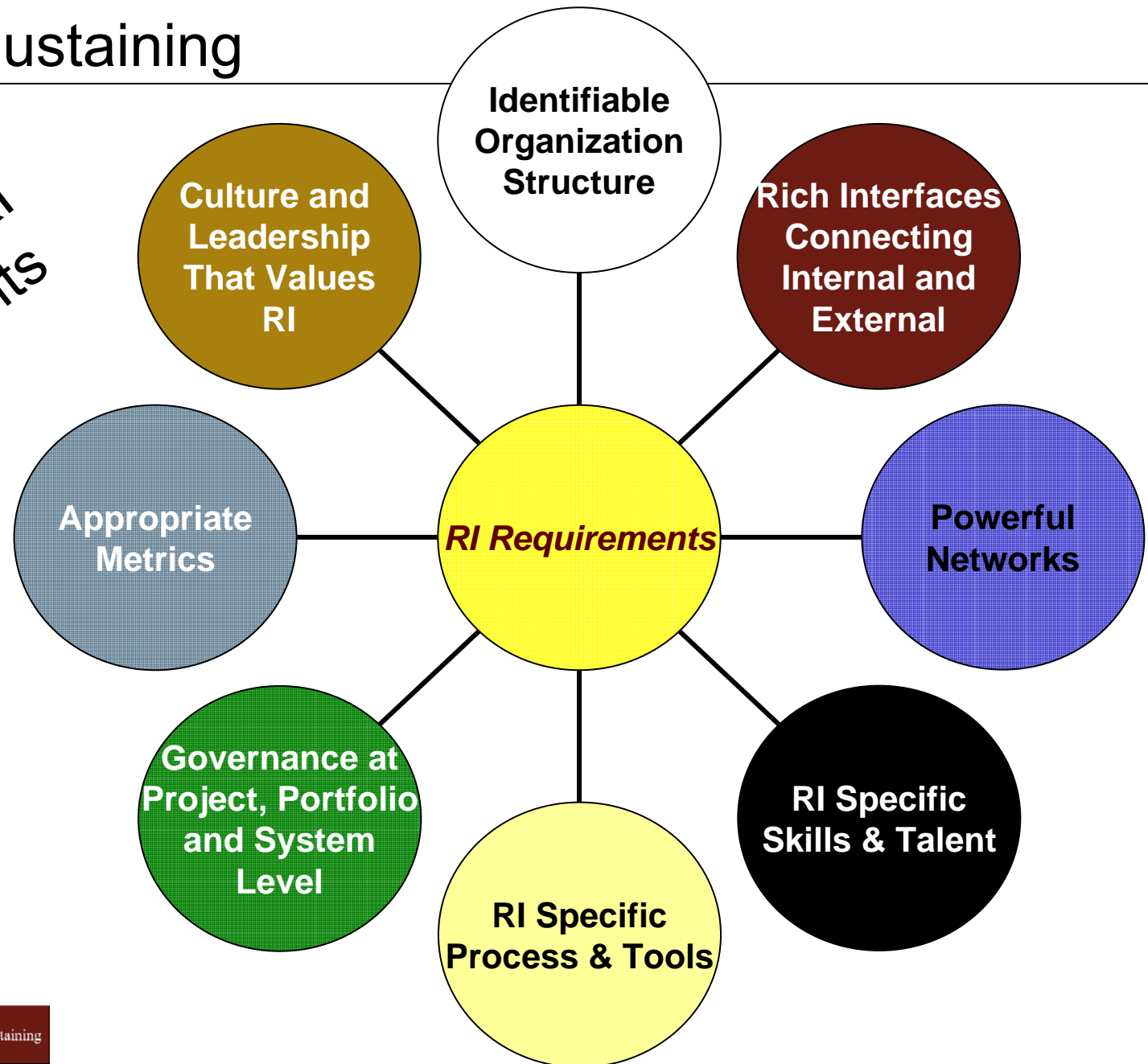
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Evolving a Competency Occurs in Stages



Sustaining

Summary of RI Requirements

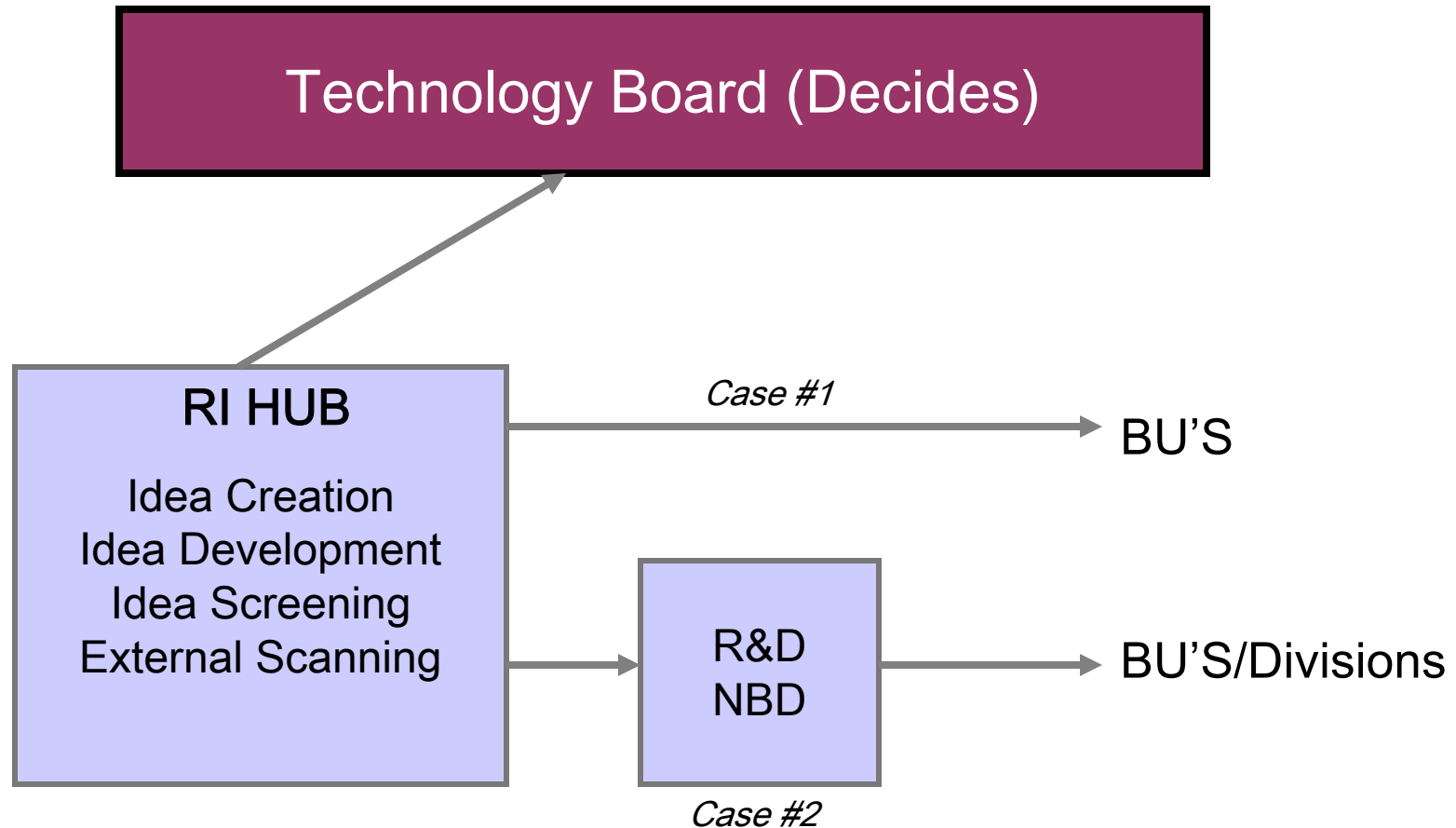




Phase II Key Insights

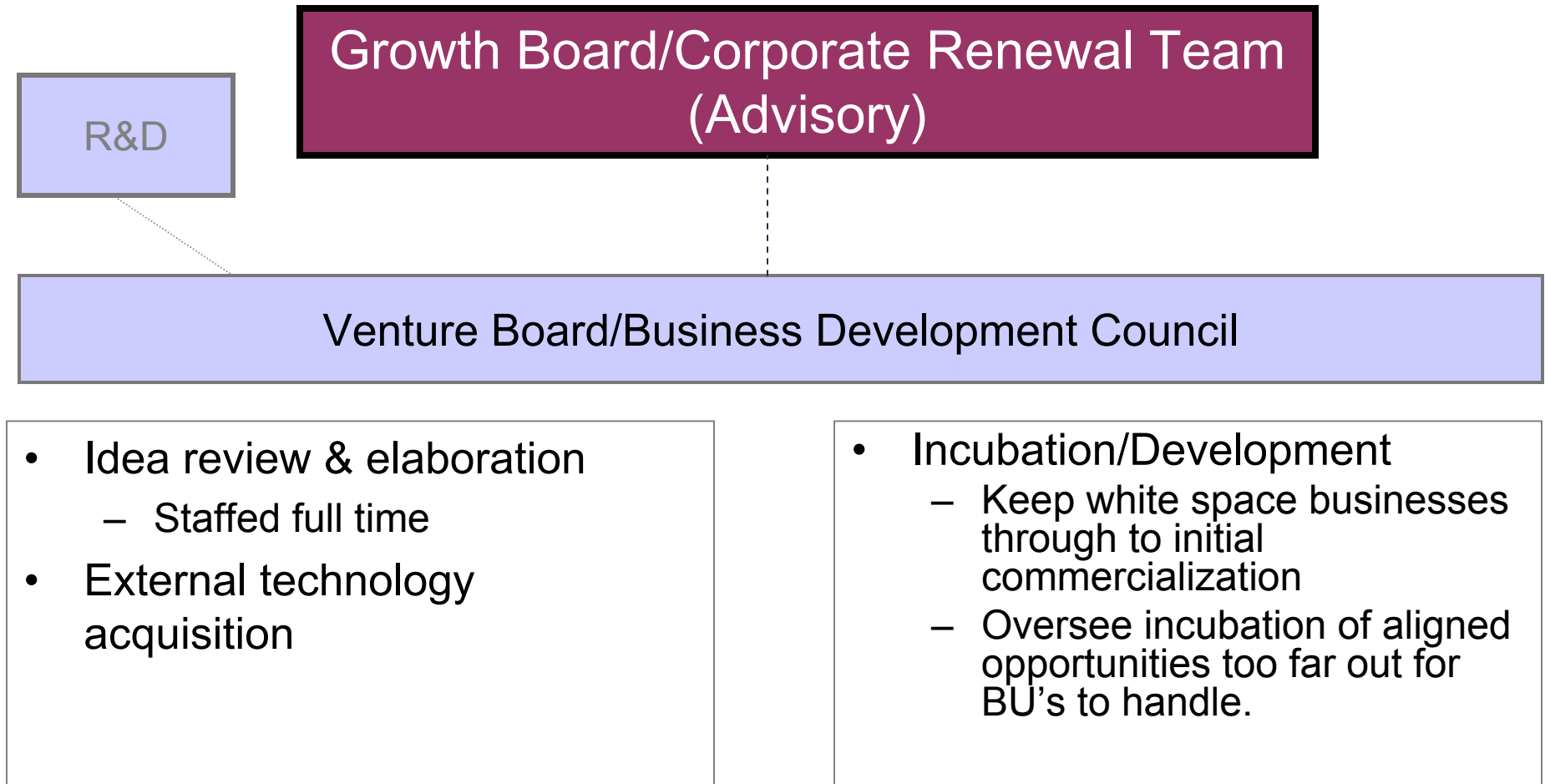
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Organization Structure: Idea Generator

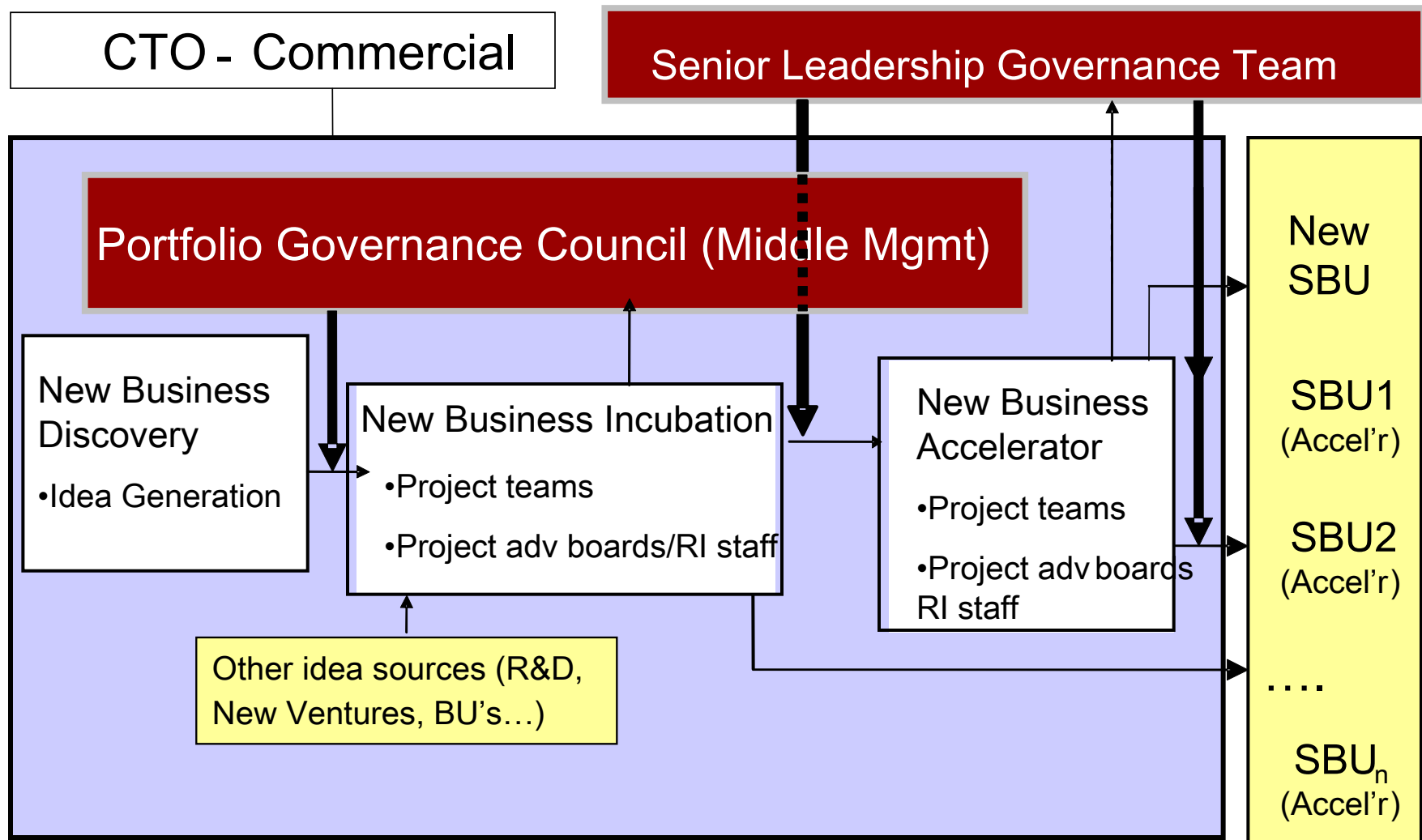




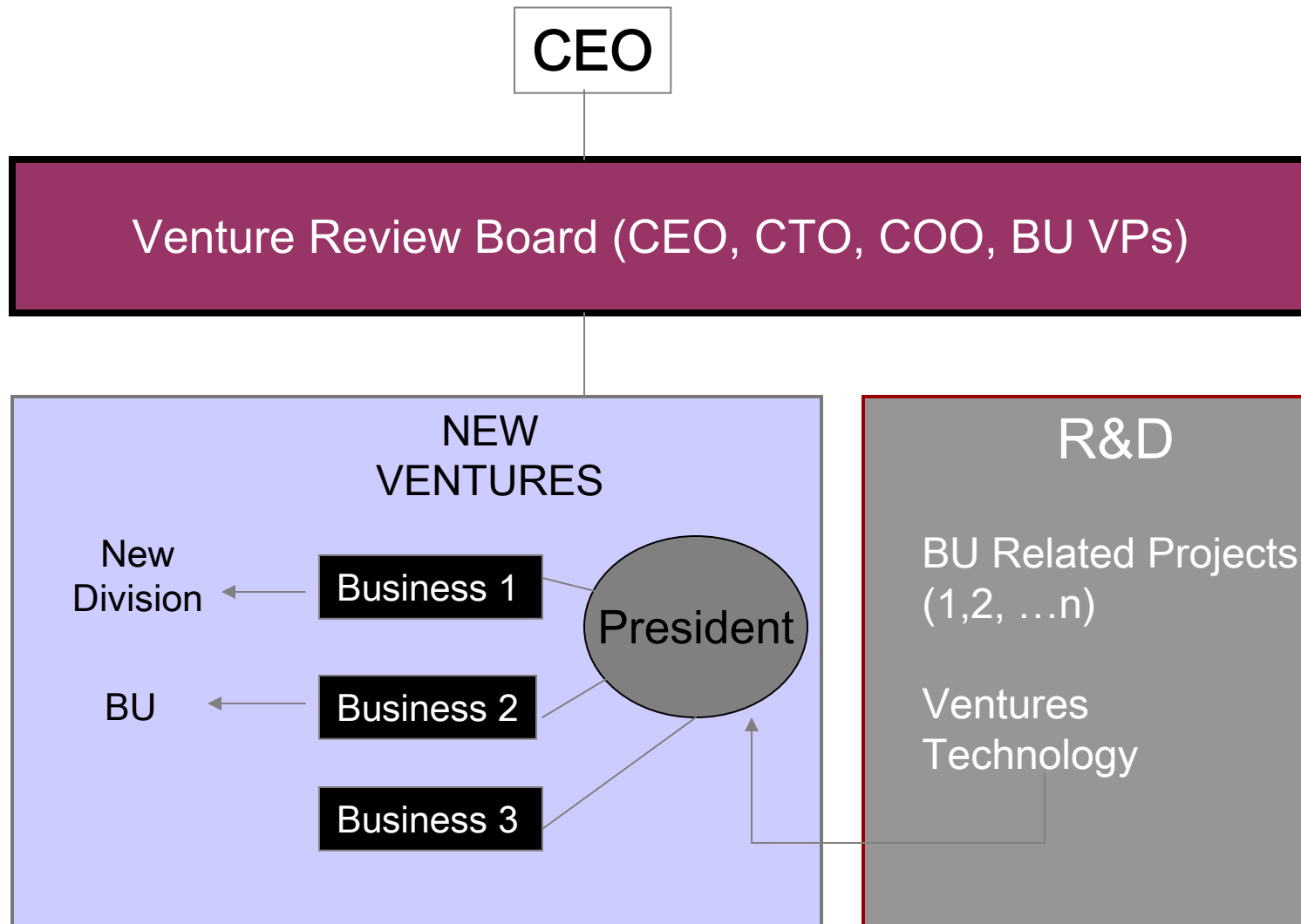
Organization Structure: Idea Manager & Incubation



Organization Structure: Holistic Sequential Model

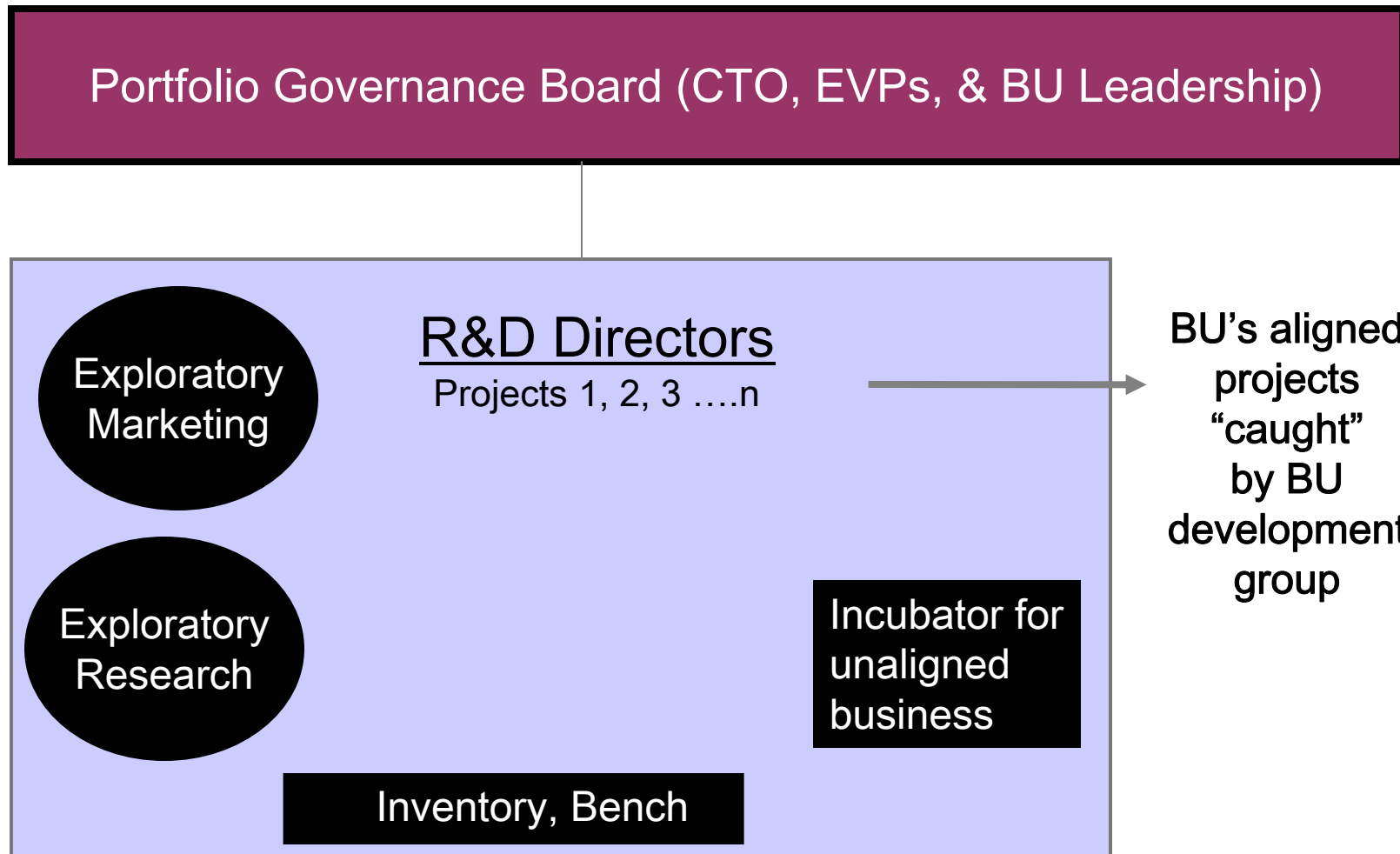


Organization Structure: Corporate Venturing Model

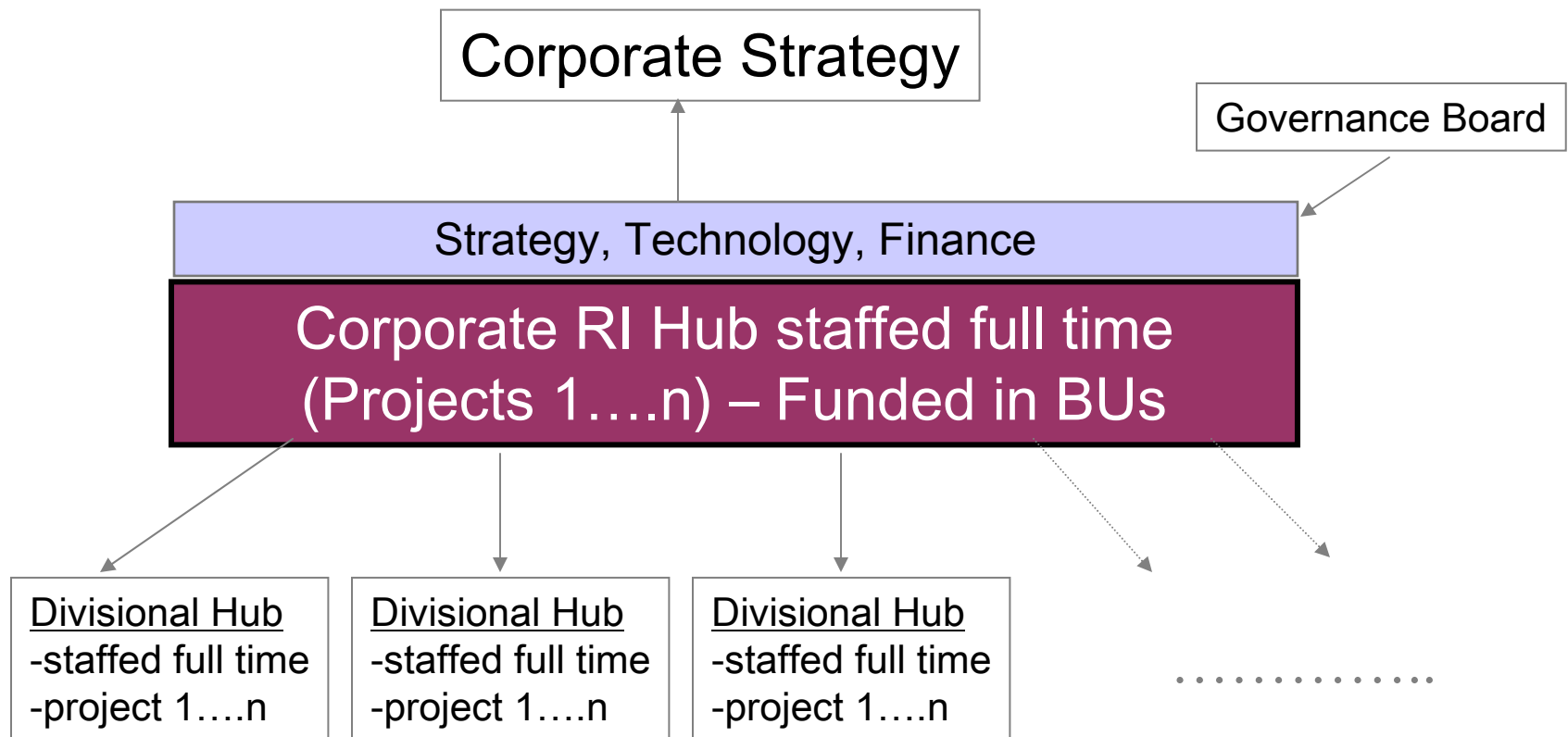




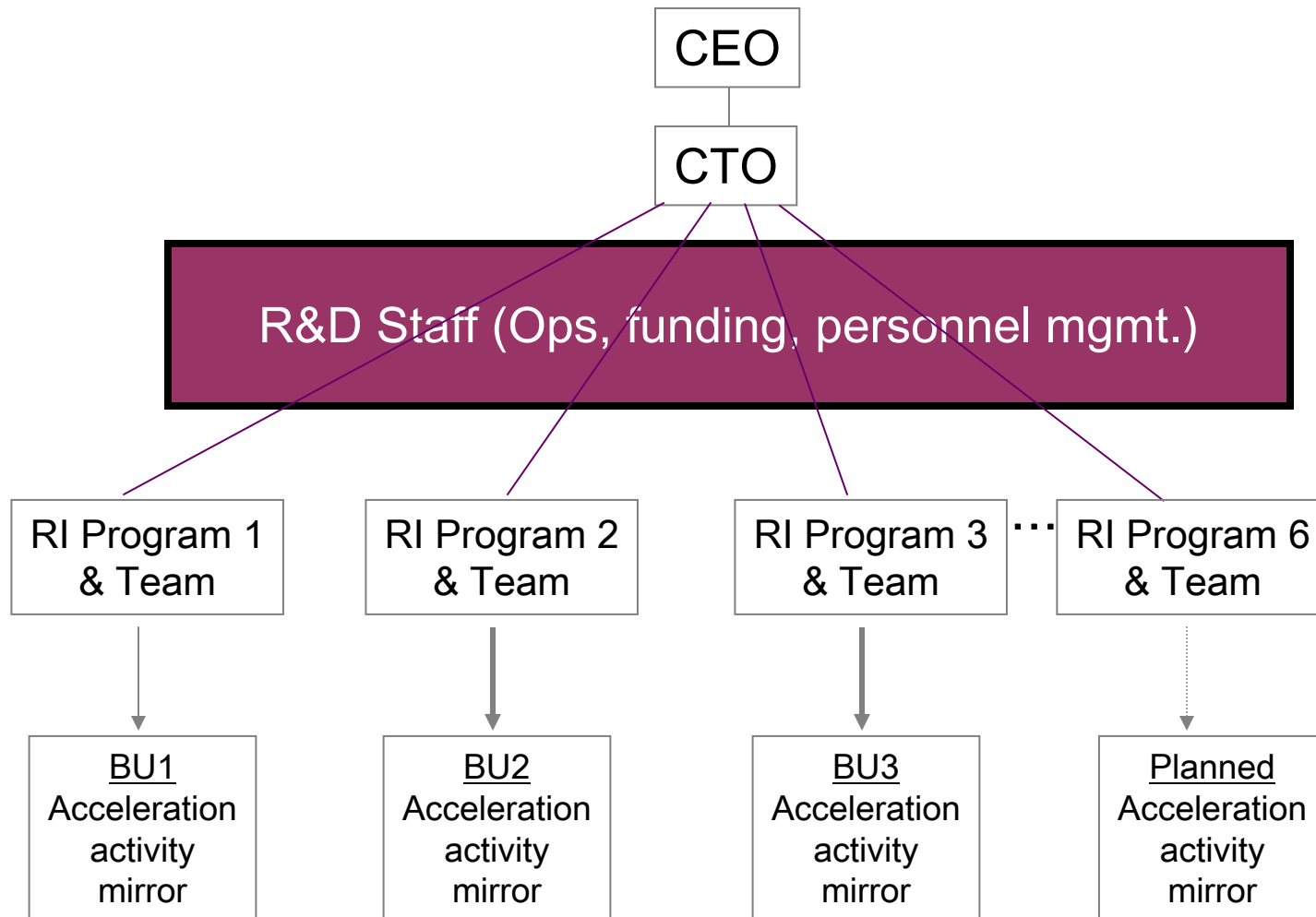
Organization Structure: R&D Management System



Organization Structure: Self Similar Model



Org. Structure: Mirrored Model

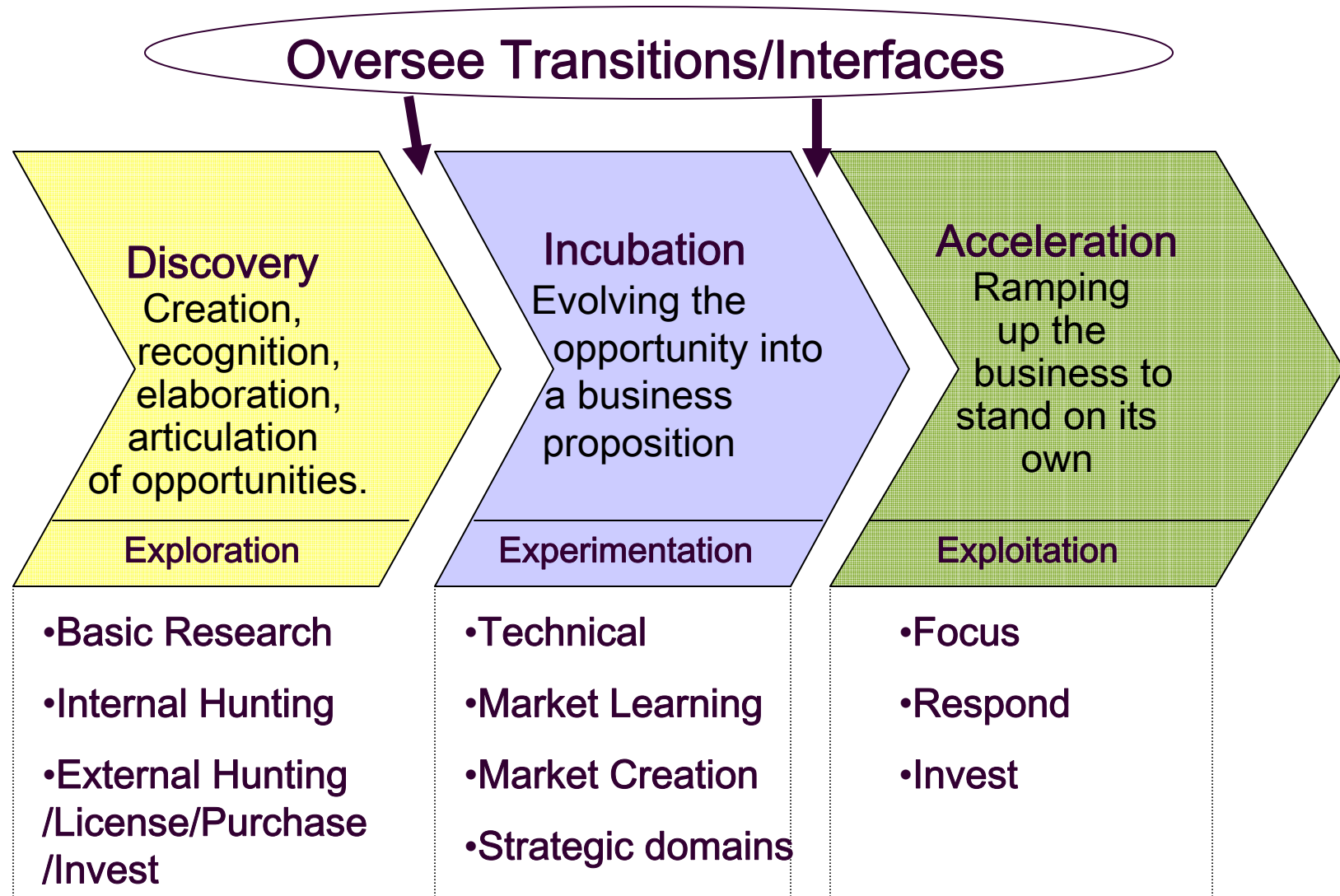




Phase II Key Insights

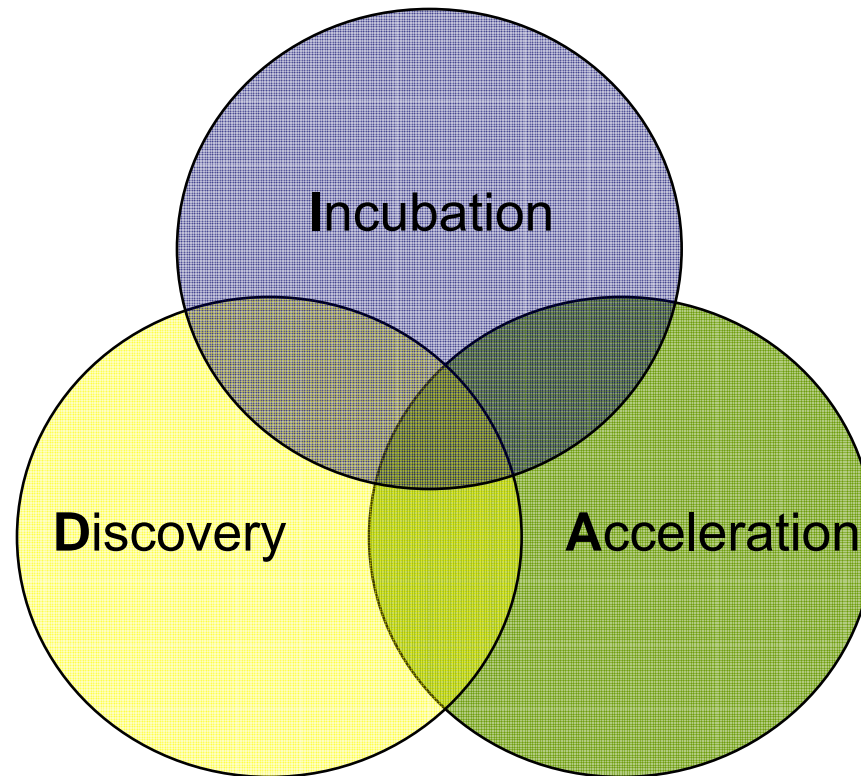
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Not just one competency....but 3



Stunning Realization: DIA is not Linear!

Three RI Competencies must be managed as a system

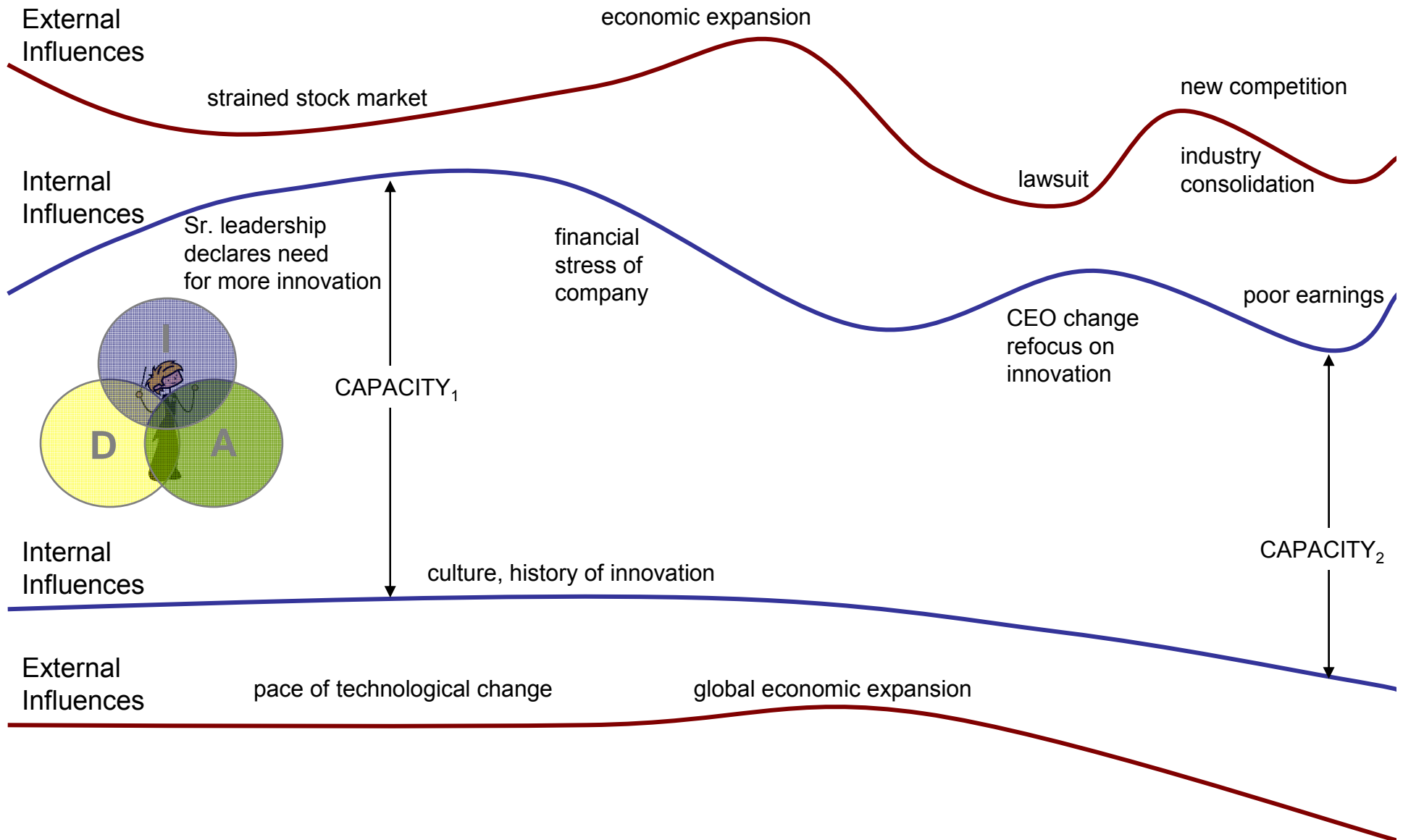




Phase II Key Insights

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Organizational Capacity for RI

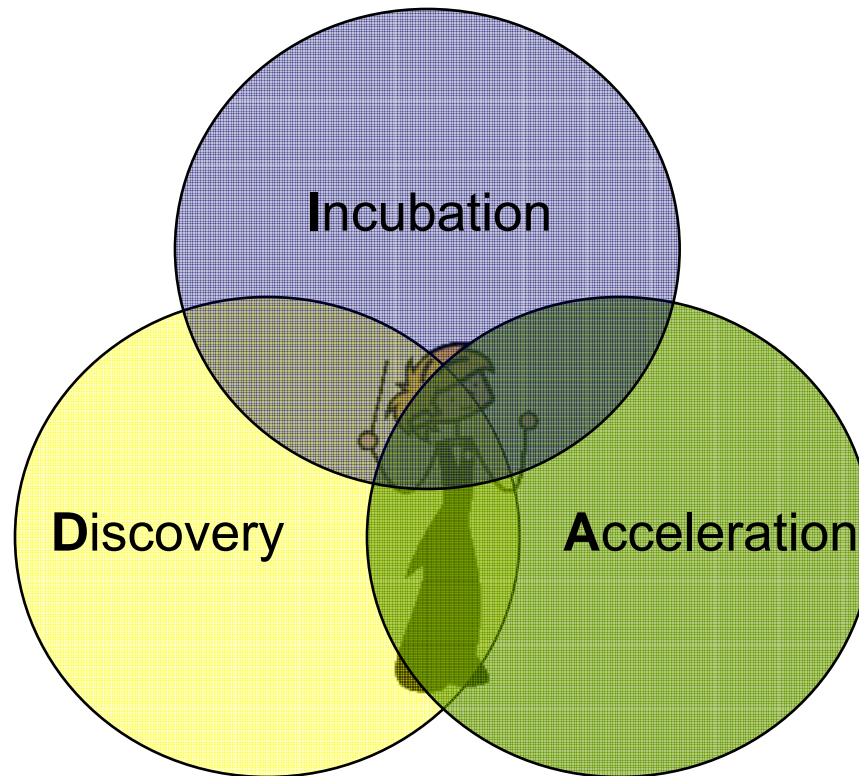




Phase II Key Insights

- RI capability develops in stages.
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- **Orchestration.**

DIA Must Be Orchestrated in Dynamic External and Internal Environments





Applying RI Insights to Higher Uncertainty Innovation

	Lower Uncertainty		Higher Uncertainty
Type of Innovation	Incremental	[-----]	Major Innovation: Platform and Breakthrough/Radical
Strategic Drivers	New Products to Extend Existing Business	[-----]	New Business Models and Advanced Technologies for Growth and Renewal
Opportunity Selection	Customer Driven and Analytical Tools	[-----]	Vision/Possibilities Tied to Strategic Intent
Market Focus	Existing Base	[-----]	New Customers, Applications and Unknown Areas to be Discovered
Process	Stage Gate and Concurrent Engineering	[-----]	Discovery Driven Processes and Learning Models
Transition Readiness	Fast Track to Lines of Business	[-----]	Incubation, Acceleration, Interface Management



Going Forward

Radical Innovation Field Research =
Insights Translated into Best Practices

Internal Venturing/Corporate Entrepreneurship/New
Business Development =
System for Managing Higher Uncertainty Innovation

Thank You!
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