UNIVERSITY OF TRIESTE – DEAMS DEPARTMENT
BACHELOR COURSE IN BUSINESS & MANAGEMENT
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BLOCK 3
Management of Innovation

INSTRUCTOR
Guido Bortoluzzi (Ph.D)
HOW TO BUILD AN INNOVATIVE ORGANIZATION
PART 1
### TABLE 3.1

**Components of the Innovative Organization**

<table>
<thead>
<tr>
<th>Component</th>
<th>Key Features</th>
<th>Example references</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Shared vision, leadership and the will to innovate</td>
<td>Clearly articulated and shared sense of purpose</td>
<td>31, 32, 69, 74</td>
</tr>
<tr>
<td></td>
<td>Stretching strategic intent ‘Top management commitment’</td>
<td></td>
</tr>
<tr>
<td>2. Appropriate structure</td>
<td>Organization design which enables creativity, learning and interaction. Not always a loose ‘skunk works’ model; key issue is finding appropriate balance between ‘organic and mechanistic’ options for particular contingencies</td>
<td>9–15, 106</td>
</tr>
<tr>
<td>3. Key individuals</td>
<td>Promoters, champions, gatekeepers and other roles which energize or facilitate innovation</td>
<td>9, 43, 44</td>
</tr>
<tr>
<td>4. Effective team working</td>
<td>Appropriate use of teams (at local, cross-functional and inter-organizational level) to solve problems, requires investment in team selection and building</td>
<td>59, 60, 67</td>
</tr>
<tr>
<td>5. High-involvement innovation</td>
<td>Participation in organization-wide continuous improvement activity</td>
<td>53, 56</td>
</tr>
<tr>
<td>6. Creative climate</td>
<td>Positive approach to creative ideas, supported by relevant motivation systems</td>
<td>69, 73, 74, 75</td>
</tr>
<tr>
<td>7. External focus</td>
<td>Internal and external customer orientation</td>
<td>81, 95, 98</td>
</tr>
<tr>
<td></td>
<td>Extensive networking</td>
<td></td>
</tr>
</tbody>
</table>
1. Shared vision, leadership and the will to innovate

- Vision: “aspirational description of what an organization would like to achieve or accomplish in the mid-term or long-term future”
- It should be related to the future, not the present or the past
1a - A vision statement ...

- ... should be timeless.
- ... should motivate people.
- ... should be brief so people can remember it.

"Meeting our clients’ expectations" is not a vision.
"Our vision is to be earth's most customer centric company; to build a place where people can come to find and discover anything they might want to buy online."
Capture and Share the World’s Moments.
To fulfill dreams through the experiences of motorcycling.
the Vision and the Market

• Invented for Life. Enhance the quality of life with solutions that are both innovative and beneficial.

• Saving people money to help them live better
1b. Leadership style

In the last decades, many scholars have been trying to define what are the distinctive characteristics of a good leader and how a good leadership is connected with innovation performance outcomes (see: Clark, Clark and Campbell, 1992. Impact of leadership. The Center of Creative Leadership, Greensboro, NC). Tidd and Bessant (2014) have summarized part of this literature and identified the following traits that characterize a good leader:
A Good Leader is expected to...

• be bright, alert and intelligent
  • S/he has intuition, analytical capabilities, s/he is able to see/create connections between apparently distant concepts, s/he is able to find creative solutions to routine problems.

• seek responsibility and take charge
  • S/he does not flinch in the face of responsibilities and does not pass the buck. S/he does not ignore emerging problems but faces them immediately. S/he regularly monitors the progresses of the activities/projects s/he is responsible for. S/he regularly checks that all the activities/projects proceed as scheduled.

• be skillful in her/his task domain
  • S/he is able to leverage on her/his experience in the workplace, s/he periodically updates her/his skills, s/he is open and curious.

• be administratively and socially competent
  • S/he is able to persuade people without recurring to the authoritative power of her/his position, s/he able to reconcile people.

• be energetic, active and resilient
  • S/he is able to work under stressful conditions for a long period of time. S/he respect deadlines. S/he can energize people.

• be a good communicator
  • S/he has charisma. S/he has oratorical skills. S/he knows how to convince skeptics.
A good leader according to

- **External Focus:** Is in tune with customers and environment, connects with stakeholders, and is educated on global issues
- **Clear Thinker:** Embraces and adapts to uncertainty, connects strategy to purpose and inspires, uses knowledge and instinct decisively, and hits commitments
- **Imagination & Courage:** Generates innovative ideas, takes risks and learns from success and failure, and challenges bureaucracy
- **Inclusiveness:** Welcomes ideas, listens and is humble, collaborates with respect to individuals and cultures, and drives engagement
- **Expertise:** Has domain expertise, continuously develops self and others, and leverages technology

+1 Integrity

Three good leaders?

<table>
<thead>
<tr>
<th></th>
<th>Adam</th>
<th>Mike</th>
<th>Julia</th>
</tr>
</thead>
<tbody>
<tr>
<td>bright, alert and intelligent</td>
<td>6</td>
<td>10</td>
<td>7</td>
</tr>
<tr>
<td>seek responsibility and take charge</td>
<td>4</td>
<td>9</td>
<td>8</td>
</tr>
<tr>
<td>skillful in his/her task domain</td>
<td>9</td>
<td>9</td>
<td>7</td>
</tr>
<tr>
<td>administratively and socially competent</td>
<td>9</td>
<td>4</td>
<td>6</td>
</tr>
<tr>
<td>energetic, active and resilient</td>
<td>5</td>
<td>6</td>
<td>7</td>
</tr>
<tr>
<td>good communicator</td>
<td>9</td>
<td>4</td>
<td>7</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>42</strong></td>
<td><strong>42</strong></td>
<td><strong>42</strong></td>
</tr>
</tbody>
</table>
Three good leaders?

- Sveglio, attento ed intelligente
- Ricerca le responsabilità e le affronta con impegno
- Capace nel proprio ambito lavorativo
- Competente dal punto di vista relazionale
- Energetico, attivo e resiliente alla fatica
- Buon comunicatore / motivatore

- Tizio
- Caio
- Sempronio

- bright, alert and intelligent
- good communicator
- energetic, active and resilient
- administratively and socially competent
- skillful in his/her task domain
- seek responsibility and take charge

- Adam
- Mike
- Julia
Good and Bad leadership consequences

- A good team leadership can have a significant impact on team’s performances
- The NEGATIVE consequences of a BAD leadership style are HIGHER than the POSITIVE consequences of a GOOD leadership style

Source: Amabile, Schatzel, Moneta and Kramer (2004)
1c. Perceptions and Attitudes

- “Perceptions” and “Attitudes” (and Biases as well) impact on human behaviors
- Behaviors then impact on performances
- Hence, there’s a mediated relationship between attitudes/perception and performances.
<table>
<thead>
<tr>
<th>Managers with ‘<em>mature perceptions</em>’ believe that</th>
<th>Managers with ‘<em>dynamic perceptions</em>’ believe that…</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>the industry is stable</strong> with slow demand growth &amp; <strong>incremental changes in technology</strong></td>
<td><strong>there is potential for change</strong>, new ways of operating, &amp; new strategies</td>
</tr>
<tr>
<td>profitability is achieved by <strong>process improvement</strong> and <strong>product differentiation</strong></td>
<td>value is created through innovation in <strong>positioning</strong> and <strong>business modelling</strong></td>
</tr>
<tr>
<td><strong>profitability is determined by industry</strong>, and is limited in mature industries</td>
<td><strong>profitability is determined by the firm.</strong></td>
</tr>
<tr>
<td><strong>market share</strong> is critical</td>
<td>Mature industries offer many opportunities. <strong>Market share is reward</strong> for creating value</td>
</tr>
<tr>
<td>dominance demands <strong>extensive resources</strong></td>
<td><strong>effectiveness</strong>, not extent of resources counts</td>
</tr>
</tbody>
</table>
INNOVATION (IDEA IMPLEMENTATION)

- Knowledge hiding
- Employee silence
- Time perspectives

CREATIVITY (IDEA GENERATION)

- Idea championing
- Time pressure
- Task conflict

- Time management
- Cultural intelligence
- Flow
BENCHMARKING AMONG DIFFERENT FIRMS

Knowledge Hiding

A  B  C  D  E

1.76  1.95  1.62  1.86  1.89
Internal benchmarking (different BUs)

Employee Silence

BU 1: 2.17
BU 2: 1.85
BU 3: 3.11
BU 4: 2.13
BU 5: 2.08
BU 6: 1.89
Micro-foundations of innovation

Employee silence, perceived time pressure, flow and innovative work behaviour

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Guido Bortoluzzi
DEAMS, Università degli Studi di Trieste, Trieste, Italy

Purpose
Abstract

Innovative Work Behaviour

Design/methodology/approach

Overview of the status of hypotheses tested in this study

Hypothesis

H1. Employee silence is negatively related to IWB
H2. Flow is positively related to IWB
H3a. Perceived time pressure at work moderates the relationship between employee silence and IWB
H3b. Perceived time pressure at work moderates the relationship between flow and IWB
H4. A three-way interaction exists among perceived time pressure, flow and employee silence in predicting IWB

Status

Supported
Supported
Supported
 Unsupported
Supported
2. APPROPRIATE STRUCTURE

• ORGANIZATIONAL STRUCTURE = "the framework within which an organization arranges its lines of authority and communication, and allocate rights and duties"

• Is there any "one best way" for fostering innovation?

• According to the "contingency school" there must be some fit between the external and the internal environment
Paul Lawrence and Jay Lorsch (1967)

EXPLORATION - EXPLOITATION

• March (1991) introduced the concepts of EXPLORATION and EXPLOITATION capabilities

• EXPLORATION includes things captured by terms such as search, variation, risk taking, experimentation, flexibility, discovery, and innovation.

• EXPLOITATION includes such things as refinement, choice, production, efficiency, selection, implementation, and execution

(March, 1991, p. 71)
According to the contingency perspective organizations cannot be at the same time mechanistic AND organic. Hence also exploration and exploitation capabilities tend to be mutually exclusive.
Exploration/Exploitation capabilities and Innovation

Exploitation is to invest resources to refine and extend its existing product innovation knowledge, skills and processes. Exploration is to invest resources to acquire entirely new knowledge, skills and processes.

Capabilities, Organization and Innovation

Exploitation

Exploration

<table>
<thead>
<tr>
<th>&quot;Mechanistic&quot; Organizations</th>
<th>? Radical and Incremental Innovation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Incremental Innovation</td>
<td></td>
</tr>
<tr>
<td>Incapable Organizations</td>
<td>&quot;Organic&quot; Organizations</td>
</tr>
<tr>
<td>No Innovation</td>
<td>Radical</td>
</tr>
<tr>
<td></td>
<td>Innovation</td>
</tr>
</tbody>
</table>

"Organic" Organizations
Radical Innovation
Ambidexterity may help

BE MECHANISTIC!
EXPLOIT!
GO INCREMENTAL!

BE ORGANIC!
EXPLORE!
GO RADICAL!

Janus Bifrons
Ambidexterity strategies

- CONTEXTUAL ambidexterity (ex: 3M 15% free time policy)
- SEQUENTIAL ambidexterity (typical of projects: exploitation follows exploration)
- STRUCTURAL ambidexterity (creation of spin-off in competition with the main company for satisfying the same needs)
Structural ambidexterity

COMPANY

"MECHANISTIC" INSIDE

HIERARCHICAL STRUCTURE

FOCUS ON KNOWLEDGE EXPLOITATION

SPIN OUT "ORGANIC" B.U.

FLAT STRUCTURE

FOCUS ON KNOWLEDGE EXPLORATION
Gerry Johnson, George S. Yip and Manuel Hensmans

Achieving Successful Strategic Transformation
Companies that are able to radically change their entrenched ways of doing things and then reclaim leading positions in their industries are the exception rather than the rule.

Even less common are companies able to anticipate a new set of requirements and mobilize the internal and external resources necessary to meet them. Instead, the commitment to the prevailing strategy usually prevents companies from spotting changes such as a shift in either the market or the technology, and leads to a financial downturn — often a crisis — that, in turn, reveals the need for change.

Few companies make the transformation from their old model to a new one willingly. Typically, they begin to search for a new way forward only when they are pushed.

This raises two important questions for corporate managers. First, is decline inevitable? And second, do companies really need a financial downturn to galvanize change?
Although many executives recognize the need to **exploit current capabilities while developing new ones**, **few** are very effective at managing this conflicting set of activities.

The companies we studied that transformed themselves had an unusual ability to maintain **steady performance** while pursuing **strategic change**.

They did this by **creating parallel coalitions** of senior executives. The first group, typically the more **senior** one, focused on **reinforcing current capabilities**, strengths and successes. The second group, usually **younger** but still senior, actively looked to **develop new strategies and capabilities**.

This parallel system came to be an accepted part of how the company operated. It was **encouraged** and **eventually institutionalized**. In particular, the second group often anticipated strategic drift that would leave the company increasingly misaligned with a changing environment.
DANIELI as an example of contextual ambidexterity strategy

FROM...

BU1
BU2
BU3
BU4

Exploitation oriented BU
Exploration oriented BU

To...

BU1
BU2
BU3
BU4

Exploitation oriented Chief and VP
Exploration oriented Chief and VP
Business model evolution, contextual ambidexterity and the growth performance of high-tech start-ups

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\textsuperscript{b} DEAMS ‘Bruno de Finetti’, University of Trieste, Piazzale Europa, 1, 34127 Trieste, Italy
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\textbf{ARTICLE INFO}

Keywords:
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Business model design
Business model ambidexterity
Growth
Start-ups
High-tech

\textbf{ABSTRACT}

Focusing on the role of efficiency and novelty design themes, this paper examines how (a) the initial business model of a start-up, (b) the subsequent changes in the design themes and (c) the combinative effect of efficiency and novelty (contextual ambidexterity) impact a start-up’s growth performance. The study is based on a survey involving 267 new ventures from high-tech industries. The results highlight the importance of pursuing higher efficiency over the life cycle of a start-up, although not at the moment of its establishment. In relation to business model ambidexterity, the findings highlight the different effect that contextual ambidexterity can have on the growth performance of a start-up firm in different stages of its life cycle. While initial ambidexterity is found to have a negative effect on growth performance, successive increases in the level of ambidexterity have a positive influence on growth.
**Fig. 1.** Research hypotheses.

![Diagram](image)

**Table 3**  
Hierarchical multiple regression results.

<table>
<thead>
<tr>
<th></th>
<th>Model 1</th>
<th>Model 2</th>
<th>Model 3</th>
<th>Model 4</th>
<th>Model 5</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>St. coeff.</strong></td>
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<td><strong>t</strong></td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Dependent variable: Growth performance (Constant)</td>
<td>2.043</td>
<td>1.947</td>
<td>2.280</td>
<td>2.325</td>
<td>2.296</td>
</tr>
<tr>
<td><strong>Control variables</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Age</td>
<td>-0.081</td>
<td>-1.346</td>
<td>-0.085</td>
<td>-1.421</td>
<td>-0.093</td>
</tr>
<tr>
<td>Size</td>
<td>0.284***</td>
<td>4.618</td>
<td>0.283***</td>
<td>4.620</td>
<td>0.284***</td>
</tr>
<tr>
<td>Industry 1 (pharma &amp; biotech)</td>
<td>0.050</td>
<td>0.685</td>
<td>0.061</td>
<td>0.832</td>
<td>0.049</td>
</tr>
<tr>
<td>Industry 2 (ICT)</td>
<td>-0.041</td>
<td>-0.324</td>
<td>-0.022</td>
<td>-0.173</td>
<td>-0.025</td>
</tr>
<tr>
<td>Industry 3 (KIBS)</td>
<td>0.000</td>
<td>0.001</td>
<td>0.023</td>
<td>0.179</td>
<td>0.013</td>
</tr>
<tr>
<td>BA share</td>
<td>-0.036</td>
<td>-0.601</td>
<td>-0.031</td>
<td>-0.516</td>
<td>-0.019</td>
</tr>
<tr>
<td>VC share</td>
<td>-0.100</td>
<td>-1.627</td>
<td>-0.095</td>
<td>-1.555</td>
<td>-0.104*</td>
</tr>
<tr>
<td>CORP share</td>
<td>0.000</td>
<td>0.001</td>
<td>-0.011</td>
<td>-0.187</td>
<td>-0.007</td>
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<tr>
<td>UNI share</td>
<td>-0.036</td>
<td>-0.589</td>
<td>-0.031</td>
<td>-0.506</td>
<td>-0.036</td>
</tr>
<tr>
<td><strong>Independent variables</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Initial BM efficiency</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Initial BM novelty</td>
<td>-0.108</td>
<td>-1.598</td>
<td>-0.133**</td>
<td>-1.979</td>
<td>-0.028</td>
</tr>
<tr>
<td>Initial BM ambidexterity</td>
<td>-0.013</td>
<td>-0.198</td>
<td>-0.017</td>
<td>-0.259</td>
<td>-0.011</td>
</tr>
<tr>
<td>Increase in BM efficiency</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increase in BM novelty</td>
<td>-0.170***</td>
<td>-2.854</td>
<td>-0.172***</td>
<td>-2.921</td>
<td>-0.120*</td>
</tr>
<tr>
<td>Increase in BM ambidexterity</td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>R^2</td>
<td>0.091</td>
<td>0.104</td>
<td>0.131</td>
<td>0.163</td>
<td>0.163</td>
</tr>
<tr>
<td>Δ R^2</td>
<td>0.091</td>
<td>0.013</td>
<td>0.028</td>
<td>0.031</td>
<td>0.031</td>
</tr>
<tr>
<td>Model F</td>
<td>2.852</td>
<td>1.852</td>
<td>8.145</td>
<td>4.724</td>
<td>4.052</td>
</tr>
<tr>
<td>N</td>
<td>267</td>
<td>267</td>
<td>267</td>
<td>267</td>
<td>267</td>
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</tbody>
</table>