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DI TRIESTE**

**Deams**

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**Scienze Economiche, Aziendali,  
Matematiche e Statistiche "Bruno de Finetti"**

**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

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## Components of the Innovative Organization

Component	Key Features
Shared vision, leadership and the will to innovate	Clearly articulated and shared sense of purpose Stretching strategic intent ‘Top management commitment’
Appropriate structure	Organization design that enables creativity, learning, and inter-action. Not always a loose ‘skunk works’ model; key issue is finding appropriate balance between ‘organic and mechanistic’ options for particular contingencies
Key individuals	Promoters, champions, gatekeepers and other roles that energize or facilitate innovation
Effective team working	Appropriate use of teams (at local, cross-functional and inter-organizational level) to solve problems. Requires investment in team selection and building
High-involvement innovation	Participation in organization-wide continuous improvement activity
Creative climate	Positive approach to creative ideas, supported by relevant motivation systems
External focus	Internal and external customer orientation. Extensive networking

# 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
- It bounds managers’ autonomy and direct their strategic decisions towards certain agreed directions (a crucial element in big groups or in companies having many branches)
- It is also a “soft” coordination mechanism for employees

# 1a - A good vision statement ...

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

"Meeting our clients' expectations" is not a vision.

# amazon.com<sup>®</sup>

The Amazon logo, a curved orange arrow pointing from the letter 'a' to the letter 'z', is positioned below the text 'amazon.com'.

"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**.



# Some good examples

- **BBC:** “To be the most creative organization in the world”
- **Disney:** “To make people happy.”
- **Google:** “To provide access to the world’s information in one click”
- **IKEA:** “To create a better everyday life for the many people”
- **LinkedIn:** “Create economic opportunity for every member of the global workforce”
- **Microsoft:** “To help people throughout the world realize their full potential”
- **Nike:** “To bring inspiration and innovation to every athlete in the world”
- **Oxfam:** “A just world without poverty”
- **Shopify:** “To make commerce better for everyone”
- **Sony:** “To be a company that inspires and fulfills your curiosity.”
- **TED:** “Spread ideas”
- **Tesla:** “To accelerate the world’s transition to sustainable energy”
- **Uber:** “We ignite opportunity by setting the world in motion”
- **Whole Foods:** “To nourish people and the planet.”

# 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



**BOSCH**

Invented for life



## 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 (2021) 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.

**SCORE  
YOURSELF!**

# 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

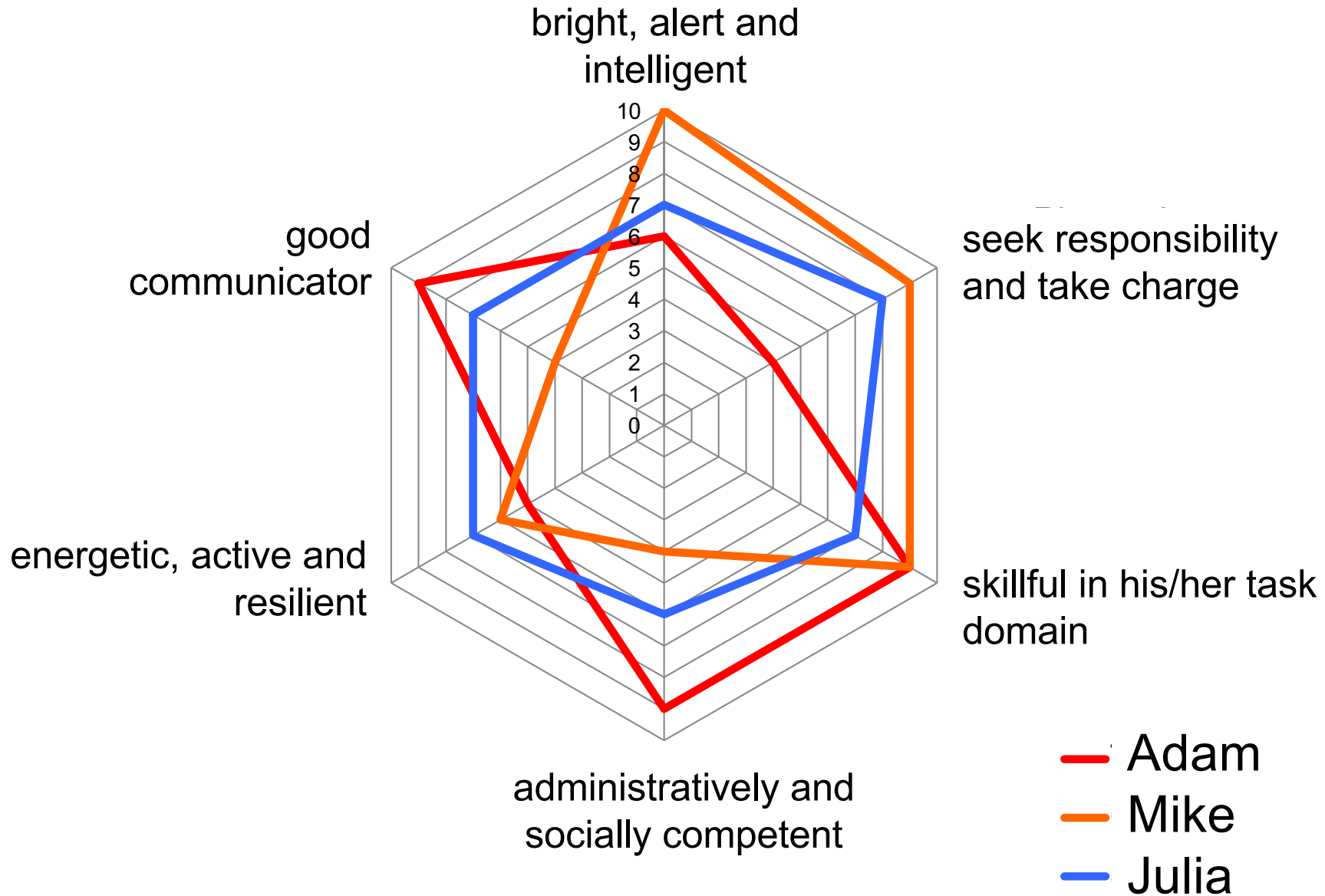
+1 Integrity

Fonte: [http://www.gecapital.com/en/pdf/The\\_leading\\_edge.pdf](http://www.gecapital.com/en/pdf/The_leading_edge.pdf)

# Three good leaders?

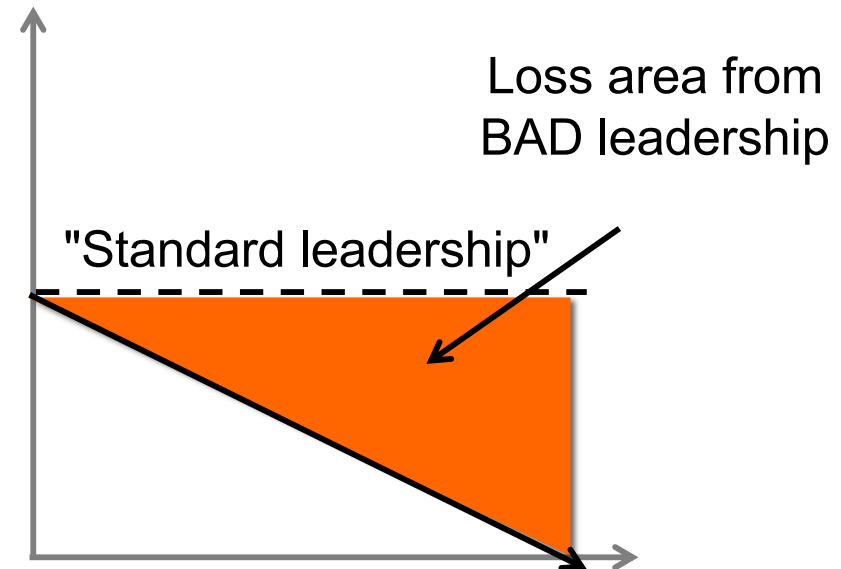
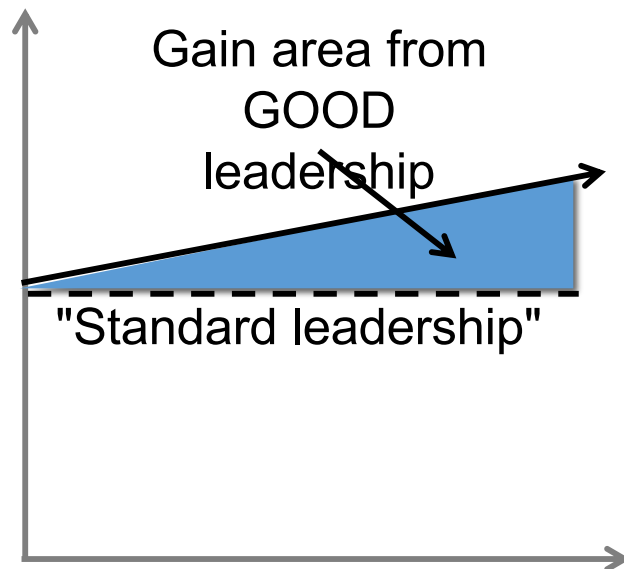
	Adam	Mike	Julia
bright, alert and intelligent	6	10	7
seek responsibility and take charge	4	9	8
skillful in his/her task domain	9	9	7
administratively and socially competent	9	4	6
energetic, active and resilient	5	6	7
good communicator	9	4	7
<b>TOTAL</b>	<b>42</b>	<b>42</b>	<b>42</b>

# Three good leaders?



# 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)



# The power of balance: interplay effects of exploitative leadership style, work–family balance and family-friendly workplace practices on innovation implementation

Grazia Garlatti Costa

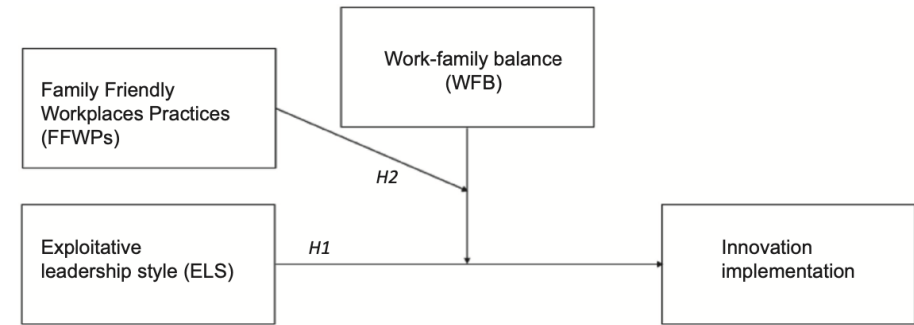
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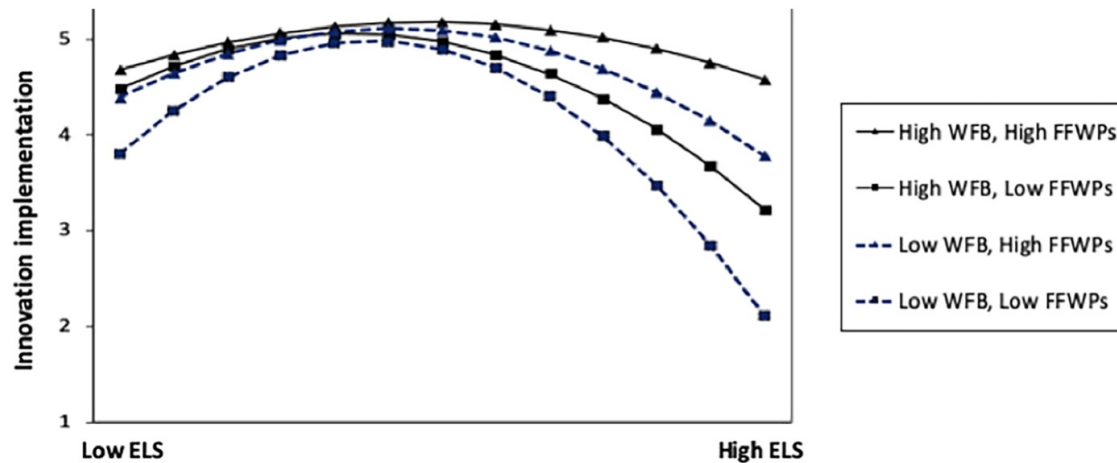
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**Note(s):** H1 indicates Hypothesis 1; H2 indicates Hypothesis 2

**Source(s):** Authors



**Note(s):** ELS, Exploitative Leadership Style; WFB, Work-family balance; FFWPs, Family Friendly Workplace Practices

# 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.

Perceptions  
Believes  
Attitudes  
Mental states

Behaviors  
Strategies  
Routines  
Heuristics

Outcomes  
Results  
Performances

Managers with '*mature* perceptions' believe that

the **industry is stable** with slow demand growth & **incremental changes in technology**

profitability is achieved by **process improvement** and **product differentiation**

**profitability is determined by industry**, and is limited in mature industries

**market share** is critical

dominance demands **extensive resources**

Managers with '*dynamic* perceptions' believe that...

there is **potential for change**, new ways of operating, & new strategies

value is created through innovation in **positioning** and **business modelling**

**profitability is determined by the firm.**

Mature industries offer many opportunities. **Market share is reward** for creating value

**effectiveness**, not extent of resources counts



**Knowledge  
hiding**

**Employee  
silence**

**Time  
perspectives**

**INNOVATION  
(IDEA  
IMPLEMENTATION)**

**Idea  
championing**

**Time  
pressure**

**Task  
conflict**

**CREATIVITY  
(IDEA GENERATION)**

**Time  
management**

**Cultural  
intelligence**

**Flow**

# Micro-foundations of innovation

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

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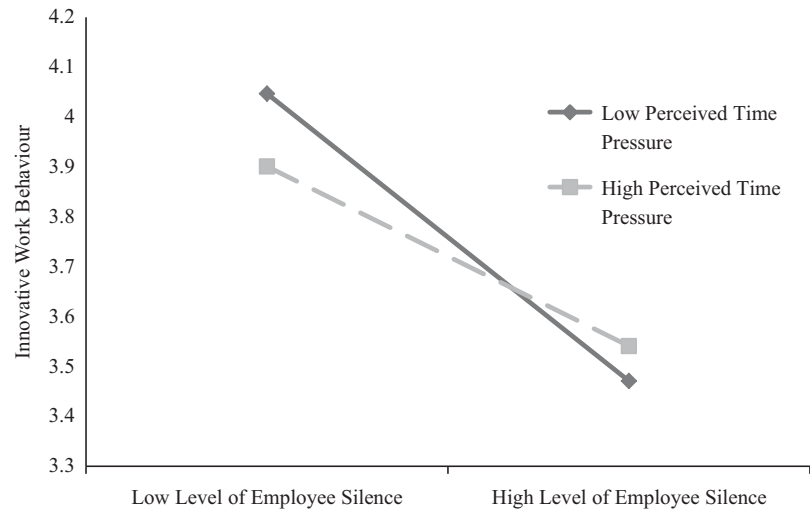
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Micro-foundations of innovation

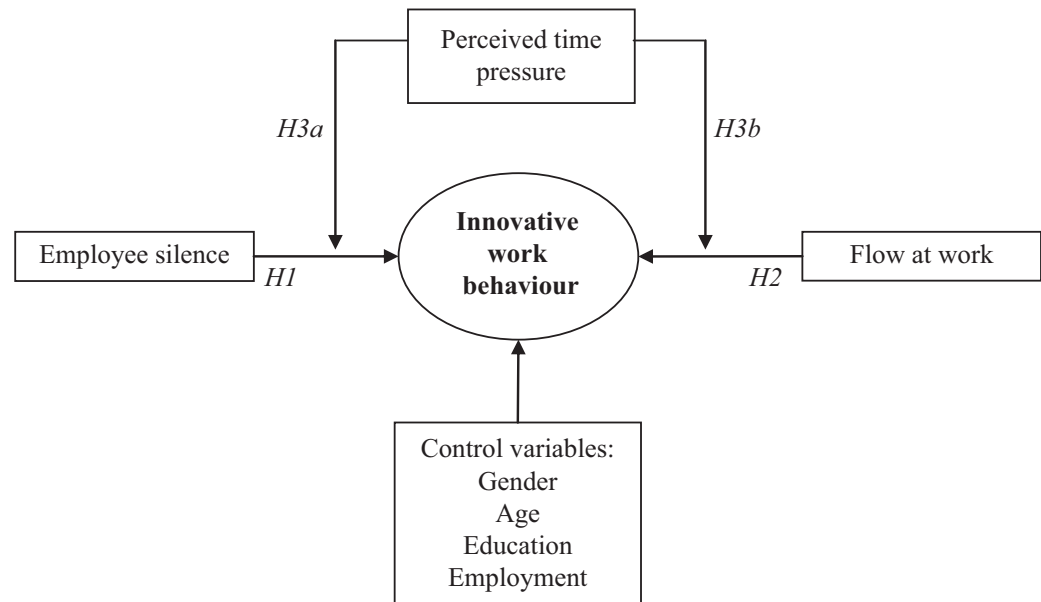
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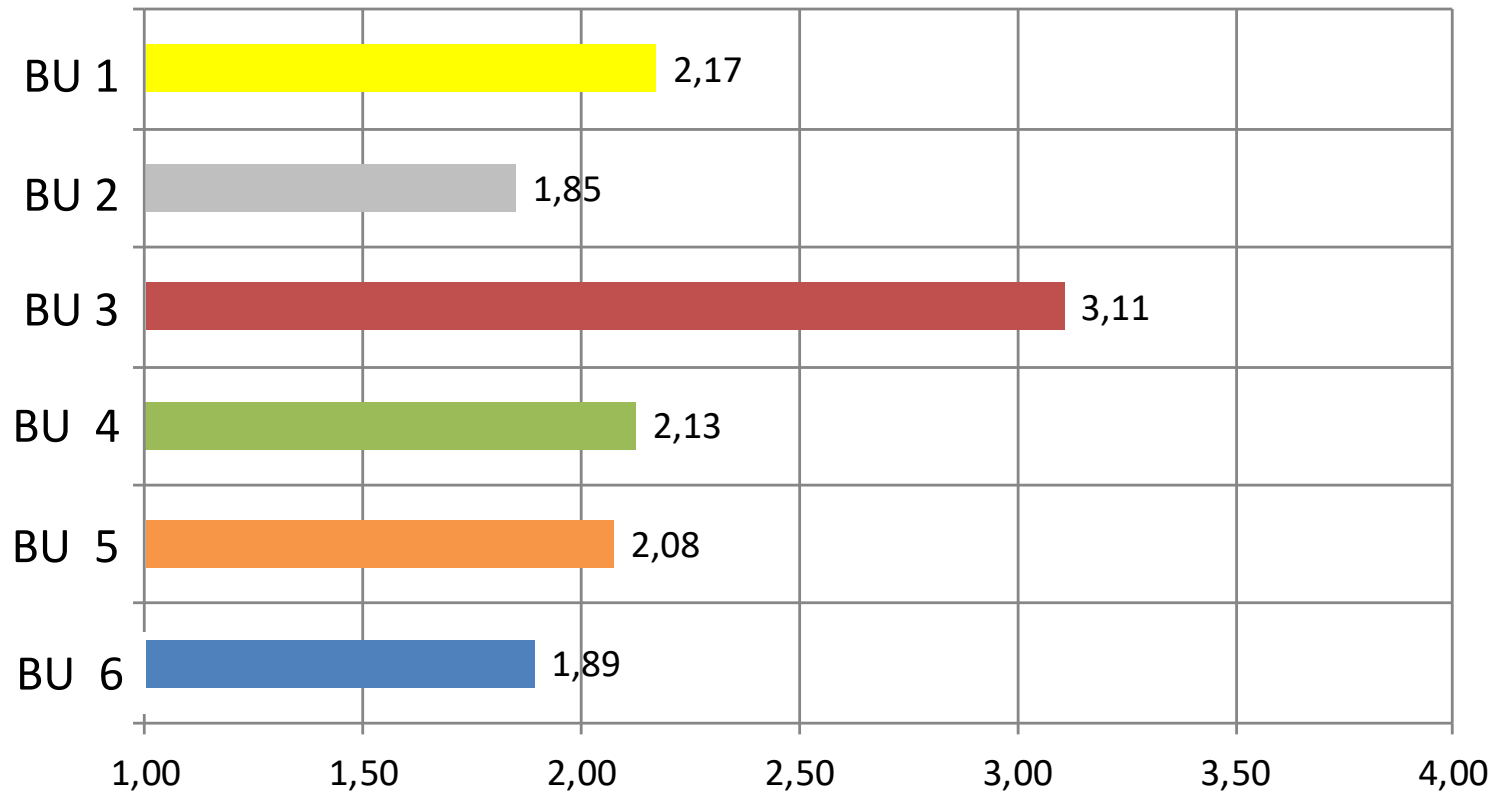
Accepted 19 June 2018



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

# Internal benchmarking (different BUs)

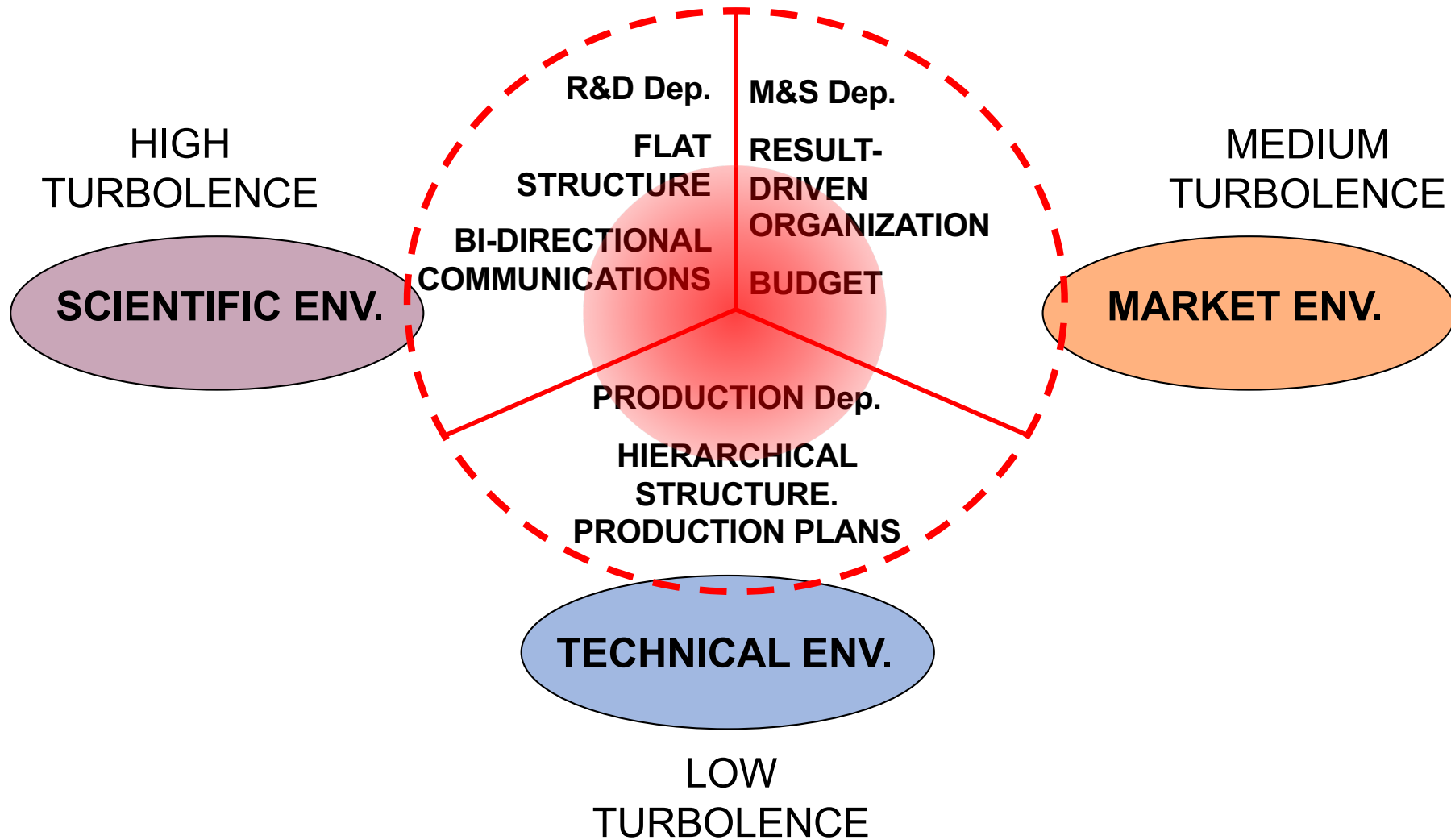
**Employee Silence**



## 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)



Lawrence, P., & Lorsch, J. 1967. Organization and environment. Boston: Harvard Business School Press.



# EXPLORATION - EXPLOITATION

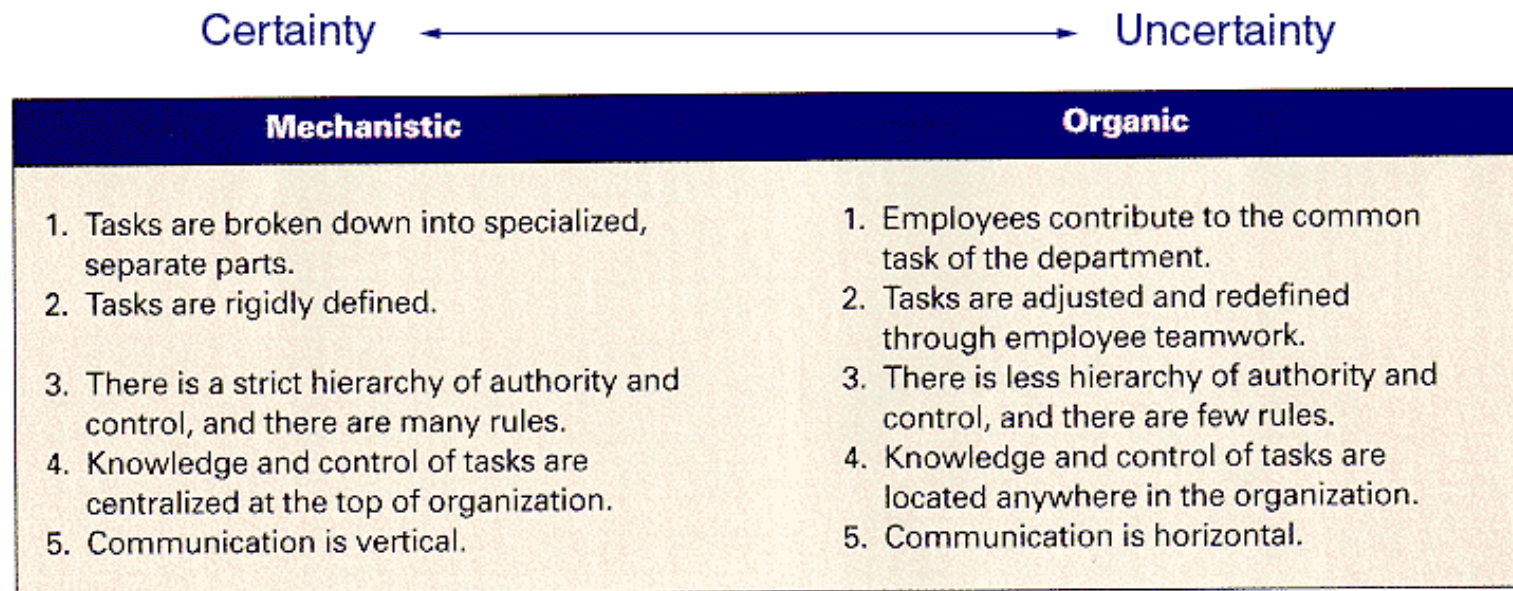
- March (1991) introduced the concepts of EXPLORATION and EXPLOITATION capabilities
- EXPLORATION includes things captured by terms such as search, variation, risk taking, experimentation, flexibility, discovery, and innovation.
- EXPLOITATION includes such things as refinement, choice, production, efficiency, selection, implementation, and execution

(March, 1991, p. 71)

# Organizational Structure and Exploration/Exploitation capabilities

**Exhibit 3.6** *Mechanistic and Organic Organization Forms*

The level of uncertainty determines the position of the organization on the mechanistic vs. organic continuum:



Source: Adapted from Gerald Zaltman, Robert Duncan, and Jonny Holbek, *Innovations and Organizations* (New York: Wiley, 1973), 131.

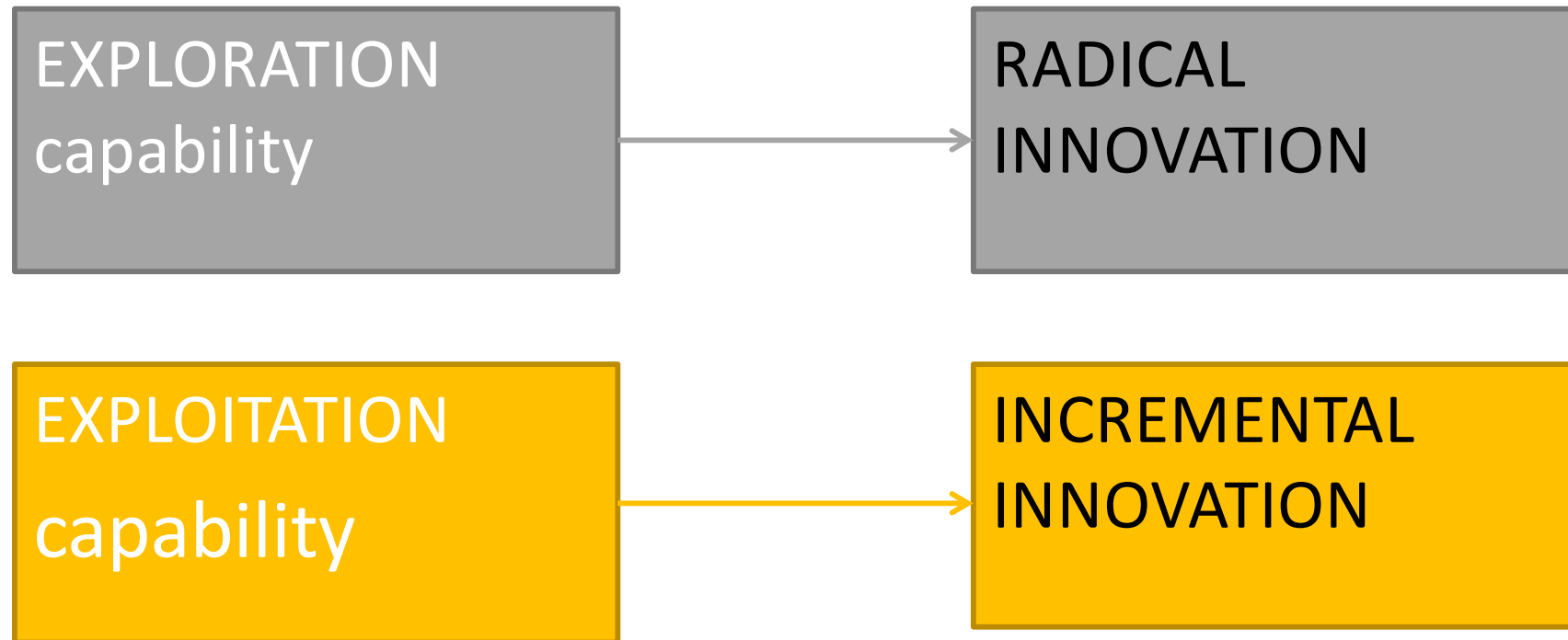
**EXPLOITATION  
CAPABILITIES**

**EXPLORATION  
CAPABILITIES**

**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**

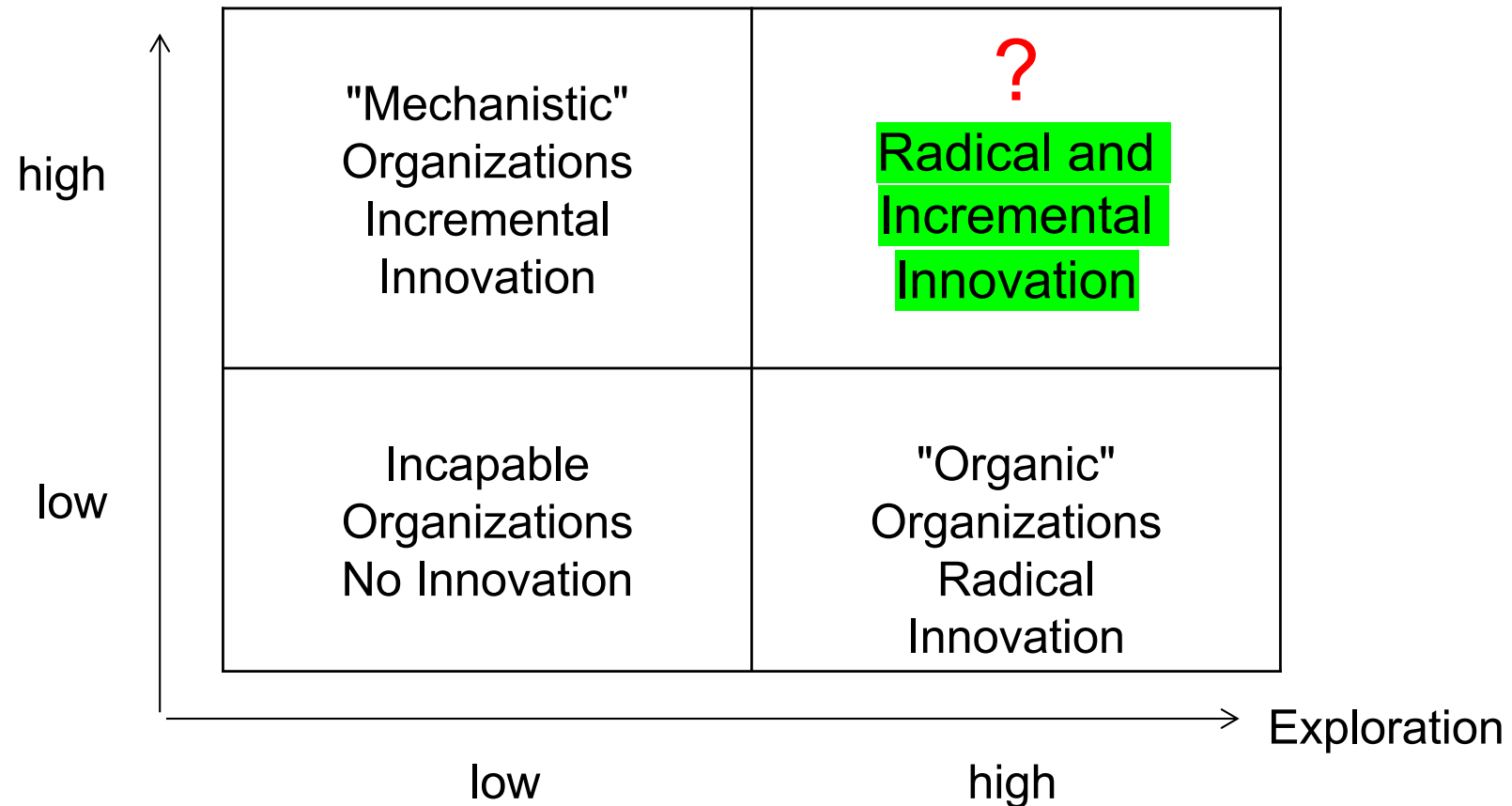
# Exploration/Exploitation capabilities and Innovation



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



# Organizational Ambidexterity might help

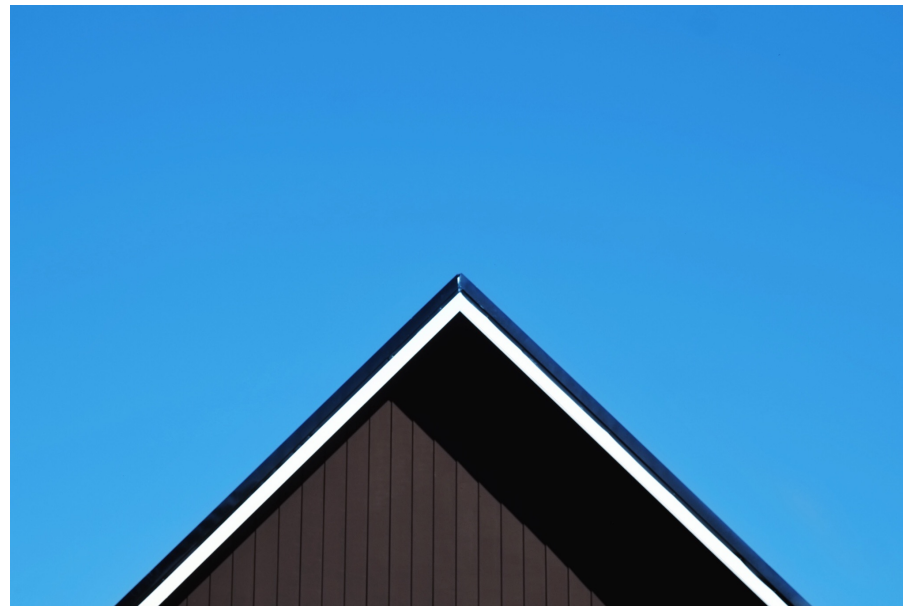
**Organizational ambidexterity** refers to an organization's ability to be efficient in the management of today's business (exploitation capability) and at the same time to be flexible/adaptable for coping with tomorrow's changing demand (exploration capability).

## **Organizational ambidexterity types:**

- CONTEXTUAL ambidexterity
- SEQUENTIAL ambidexterity
- STRUCTURAL ambidexterity

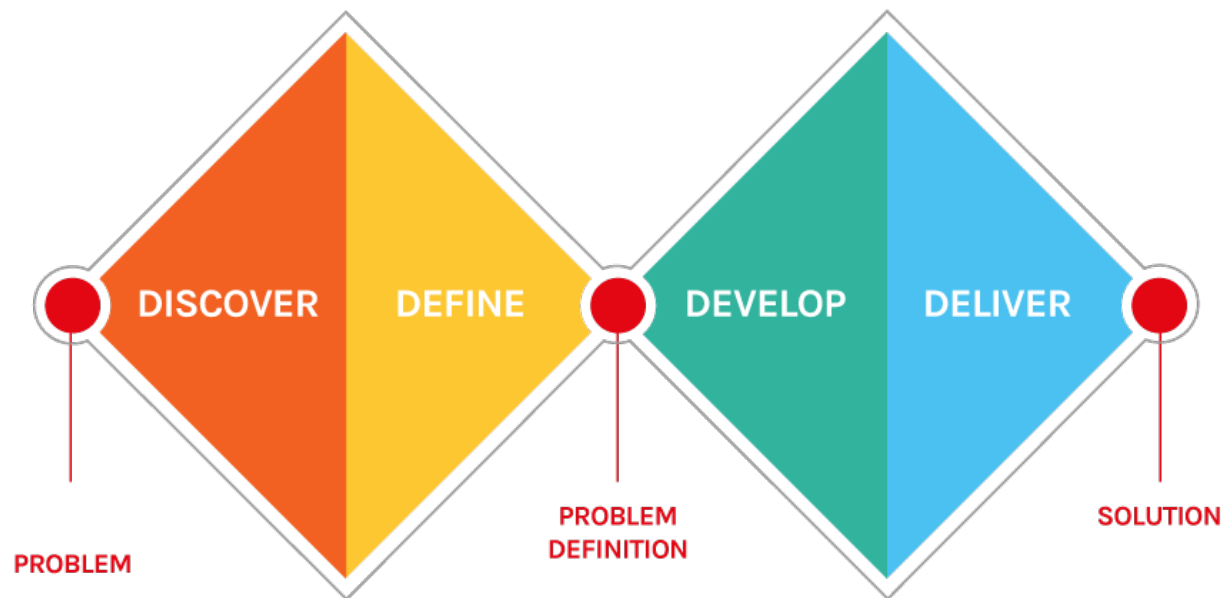
## **Contextual ambidexterity:**

is the ability of an organization to organize innovation internally so that individuals must make choices between either the exploitation-oriented or the exploration-oriented activities in their daily work. To allow this, it is necessary for the organisation context to be flexible, allowing employees to divide their time between their exploration-oriented and their exploitation-oriented activities.



## Sequential ambidexterity:

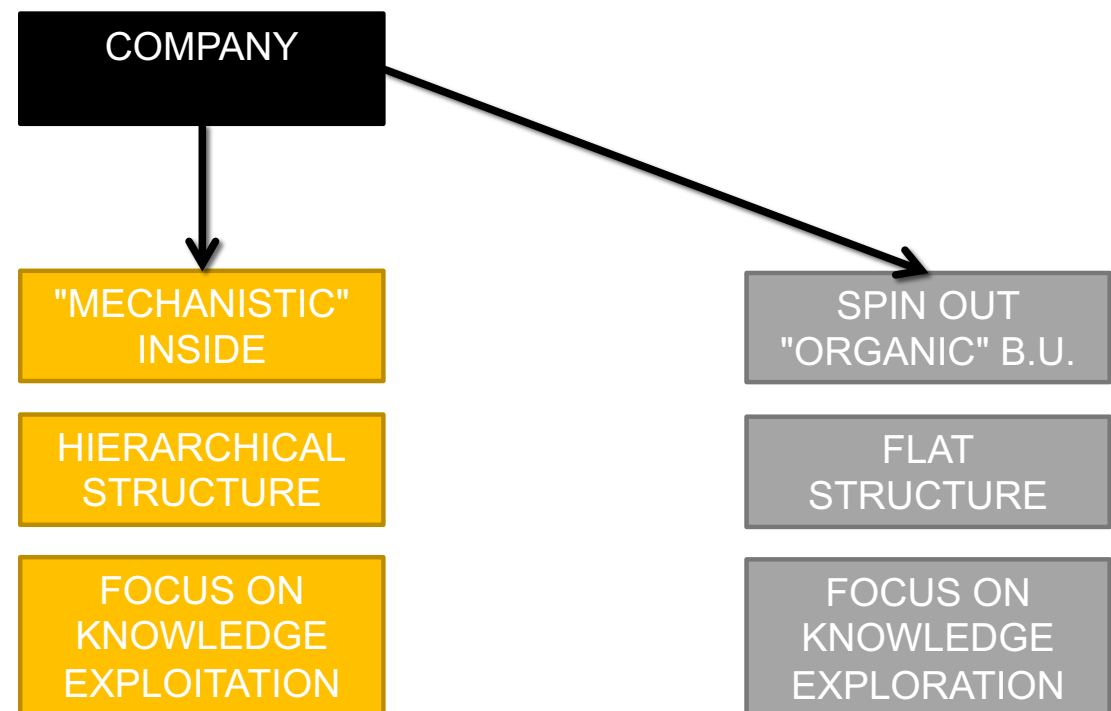
is the ability of an organization to shift back and forth between different organizational models, focusing on exploitation for a period and then moving into exploration mode. It's the logic at the base of the design thinking approach to innovation.



## Structural ambidexterity:

is about creating separate organisations or structures (and cultures) for different types of activities - exploitation-oriented and exploration-oriented.

“Some have suggested that big companies adopt a venture capital model, funding exploratory expeditions but otherwise staying out of their way.”





# The Ambidextrous Organization

by Charles A. O'Reilly III and Michael L. Tushman

From the Magazine (April 2004)

“We discovered that some companies have actually been quite successful at both exploiting the present and exploring the future, and as we looked more deeply at them we found that they share important characteristics. In particular, **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 tightly 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.”

# The Ambidextrous Organization

by Charles A. O'Reilly III and Michael L. Tushman

From the Magazine (April 2004)

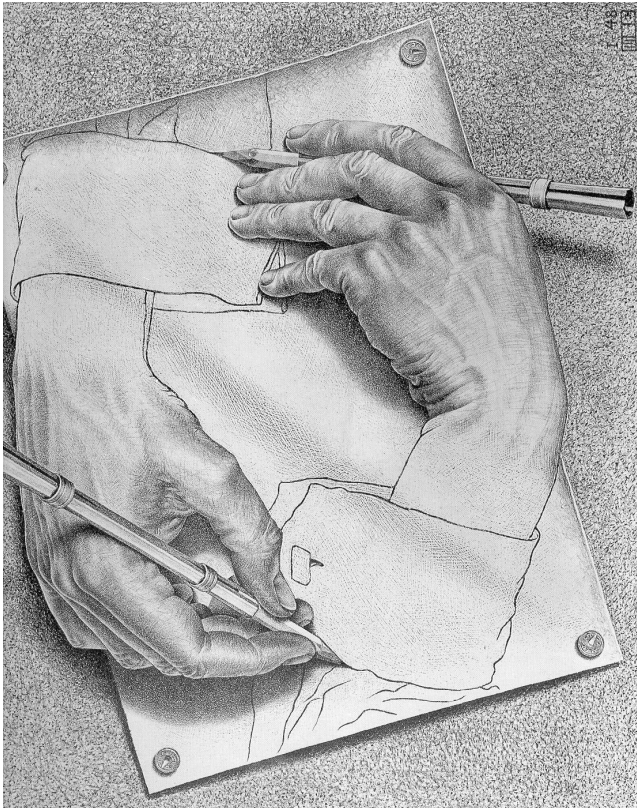
We ended up focusing on 35 attempts to launch breakthrough innovations undertaken by 15 business units in nine different industries. We studied the structure and results of the breakthrough projects as well as their impact on the operations and performance of the traditional businesses.

Companies tended to structure their breakthrough projects in one of four basic ways. Seven were carried out within existing *functional designs*, completely integrated into the regular organizational and management structure. Nine were set up as *cross-functional teams*, groups operating within the established organization but outside the existing management hierarchy. Four took the form of *unsupported teams*, independent units set up outside the established organization and management hierarchy. And 15 were pursued within *ambidextrous organizations*, where the breakthrough efforts were organized as structurally independent units, each having its own processes, structures, and cultures but integrated into the existing senior management hierarchy.

# ON AMBIDEXTROUS ORGANIZATIONS

SPRING 2012 VOL.53 NO.3

## **MIT**Sloan Management Review



**Gerry Johnson, George S. Yip and Manuel Hensmans**

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## 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?

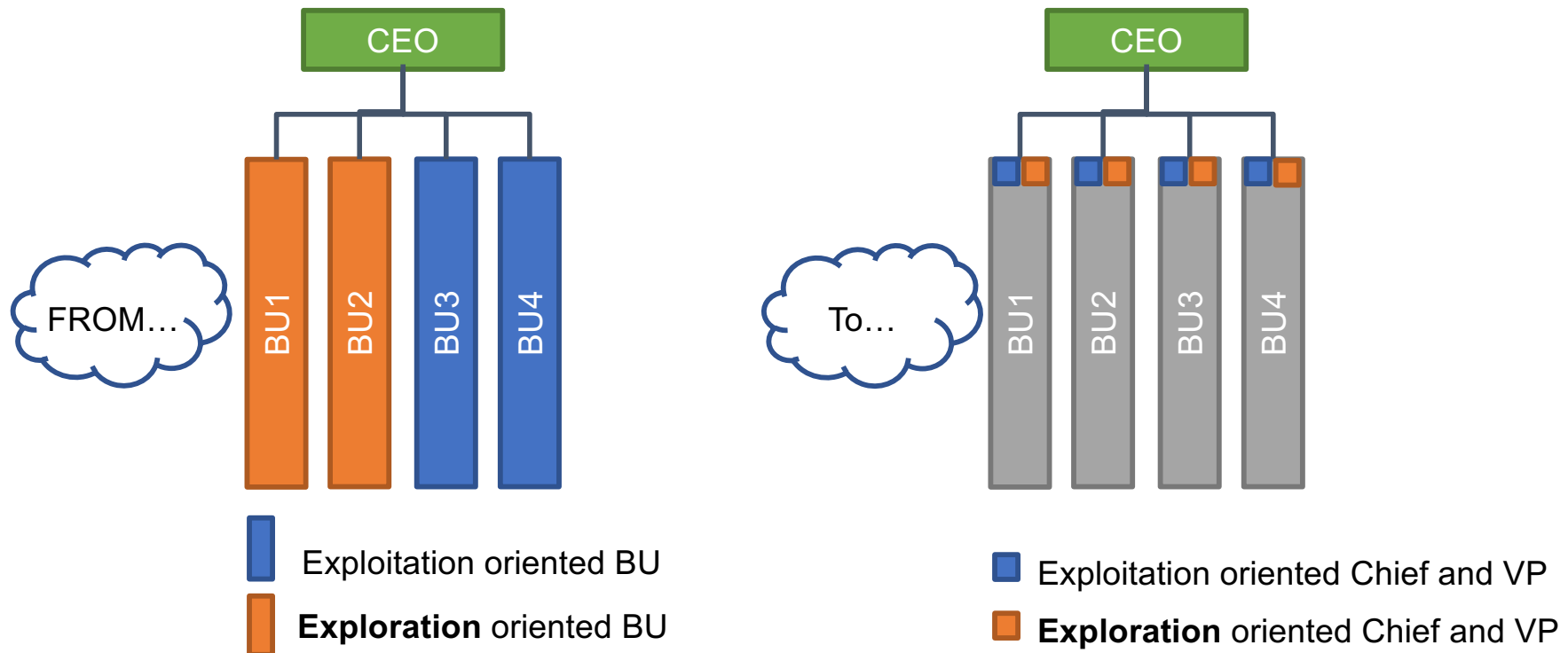
Although many executives recognize the need to **exploit current** capabilities **while developing** new ones, **few** are very effective at managing this conflicting set of activities.

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

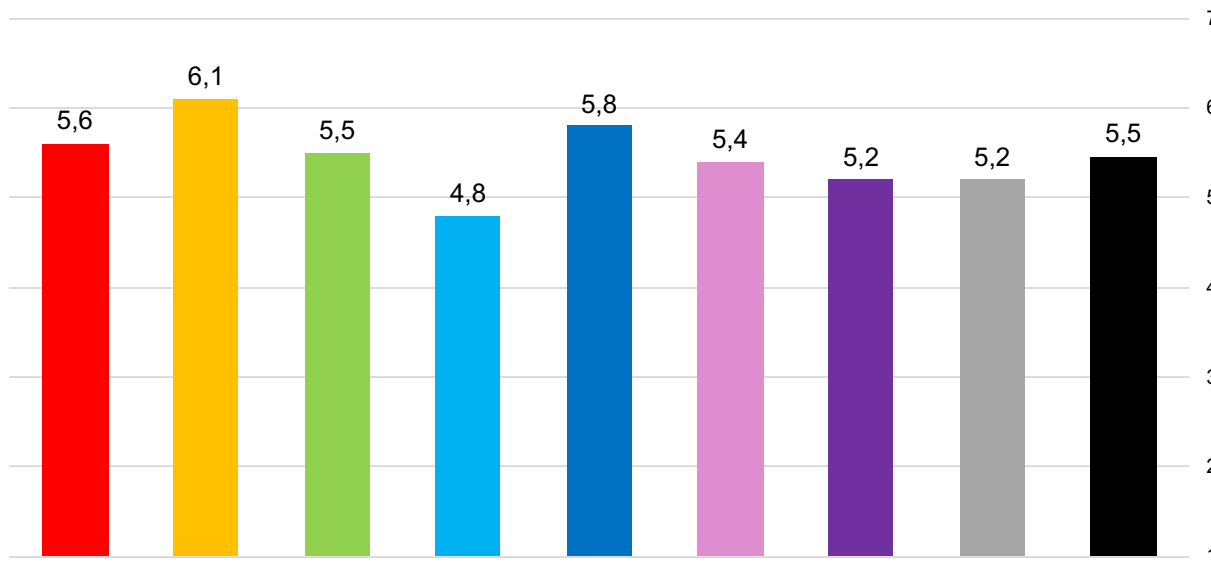
They did this by **creating parallel coalitions** of senior executives. The first group, typically the more **senior** one, focused on **reinforcing current capabilities**, strengths and successes. The second group, usually **younger** but still senior, actively looked to **develop new strategies and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



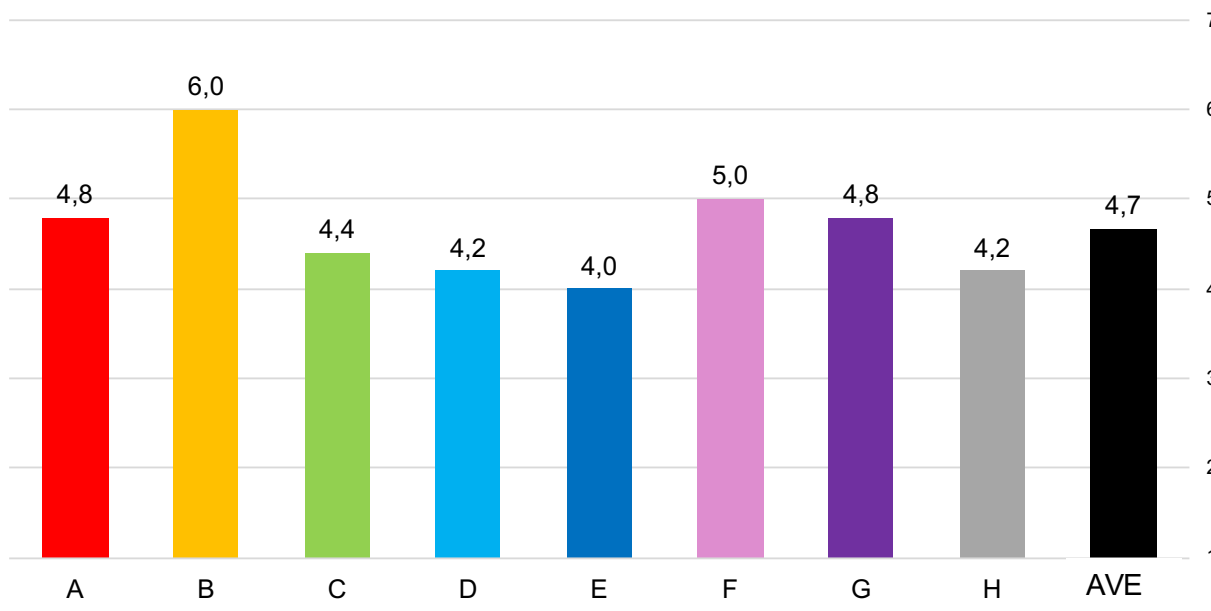
### EXPLORATION



### EXPLORATION

The company I work for is capable of exploring new businesses, new technologies and introducing new products and solutions to the market

### EXPLOITATION



### EXPLOITATION

The company I work for is efficient, well organized and capable of containing costs



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# Journal of Business Research

journal homepage: [www.elsevier.com/locate/jbusres](http://www.elsevier.com/locate/jbusres)



## Business model evolution, contextual ambidexterity and the growth performance of high-tech start-ups



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### ARTICLE INFO

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

### 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.



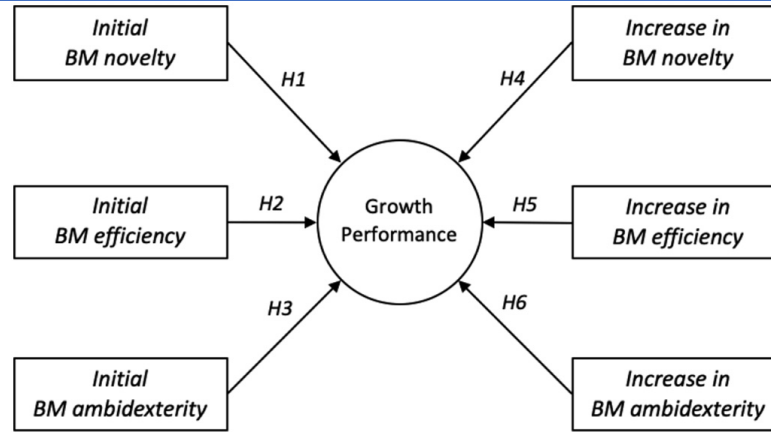


Fig. 1. Research hypotheses.

**Table 3**  
Hierarchical multiple regression results.

	Model 1		Model 2		Model 3		Model 4		Model 5	
	St. coeff.	<i>t</i>	St. coeff.	<i>t</i>	St. coeff.	<i>t</i>	St. coeff.	<i>t</i>	St. coeff.	<i>t</i>
Dependent variable: Growth performance										
(Constant)		2.043		1.947		2.280		2.325		2.296
Control variables										
Age	-0.081	-1.346	-0.085	-1.421	-0.093	-1.573	-0.084	-1.428	-0.086	-1.476
Size	0.284***	4.618	0.283***	4.620	0.284***	4.705	0.274***	4.585	0.275***	4.631
Industry1 (pharma & biotech)	0.050	0.685	0.061	0.832	0.049	0.673	0.041	0.577	0.032	0.456
Industry2 (ICT)	-0.041	-0.324	-0.022	-0.173	-0.025	-0.201	-0.019	-0.154	-0.018	-0.147
Industry3 (KIBS)	0.000	0.001	0.023	0.179	0.013	0.108	0.011	0.088	0.014	0.113
BA share	-0.036	-0.601	-0.031	-0.516	-0.019	-0.324	-0.018	-0.300	-0.007	-0.113
VC share	-0.100	-1.627	-0.095	-1.555	-0.104*	-1.721	-0.113*	-1.895	-0.121*	-2.025
CORP share	0.000	0.001	-0.011	-0.187	-0.007	-0.112	-0.037	-0.622	-0.035	-0.594
UNI share	-0.036	-0.589	-0.031	-0.506	-0.036	-0.586	-0.034	-0.565	-0.035	-0.587
Independent variables										
Initial BM efficiency			-0.108	-1.598	-0.133**	-1.979	-0.028	-0.379	0.021	0.265
Initial BM novelty			-0.013	-0.198	-0.017	-0.259	-0.011	-0.158	0.023	0.329
Initial BM ambidexterity					-0.170***	-2.854	-0.172***	-2.921	-0.120*	-1.872
Increase in BM efficiency							0.208**	2.524	0.265***	3.058
Increase in BM novelty							0.006	0.083	0.008	0.098
Increase in BM ambidexterity									0.142**	2.013
R <sup>2</sup>	0.091		0.104		0.131		0.163		0.176	
Δ R <sup>2</sup>	0.091		0.013		0.028		0.031		0.013	
Model F	2.852		1.852		8.145		4.724		4.052	
N	267		267		267		267		267	