



**UNIVERSITÀ
DEGLI STUDI
DI TRIESTE**

Deams

Dipartimento di

**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

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

- Definition of Vision: “An aspirational description of what an organization would like to achieve or accomplish in the **mid-term or long-term future**”
- So, the Vision refers to the future, not to the present (Mission) or to the past (History)
- It bounds managers’ autonomy and directs their strategic decisions toward specific common directions (a crucial element in big groups)
- For this reason, it is also considered a “**soft**” coordination mechanism

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.

Let's find the best 3 vision statements

- **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.”

Vision, just an internal function? For some companies no. But only for some

- 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 good leadership is connected to 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

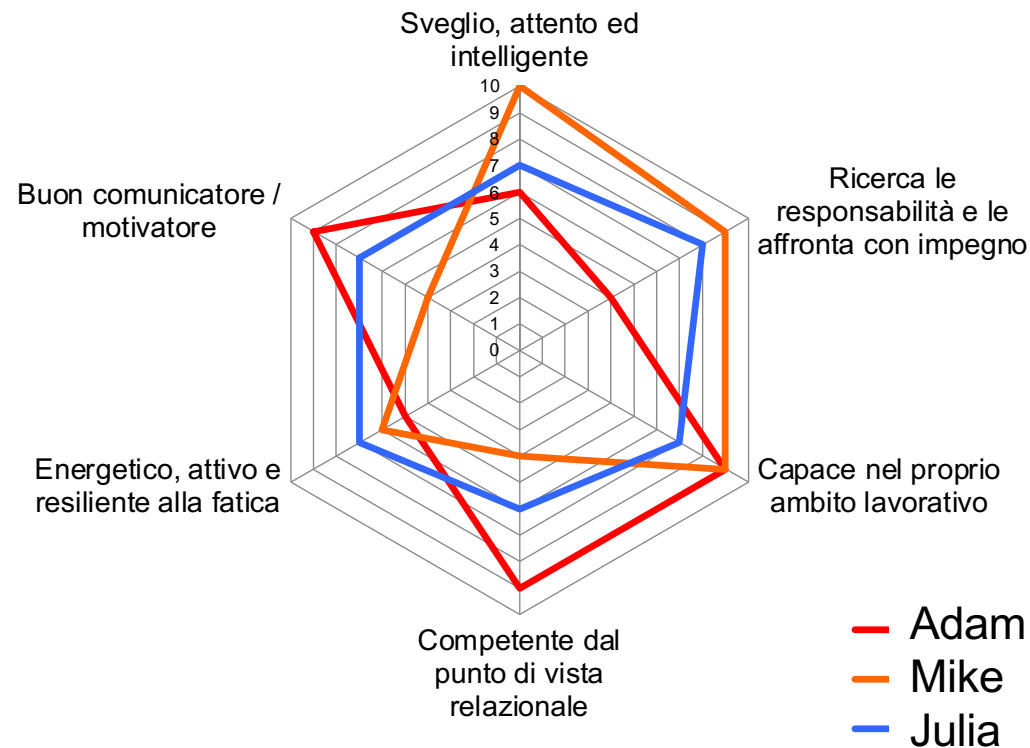
They are the following (see next slide)

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.

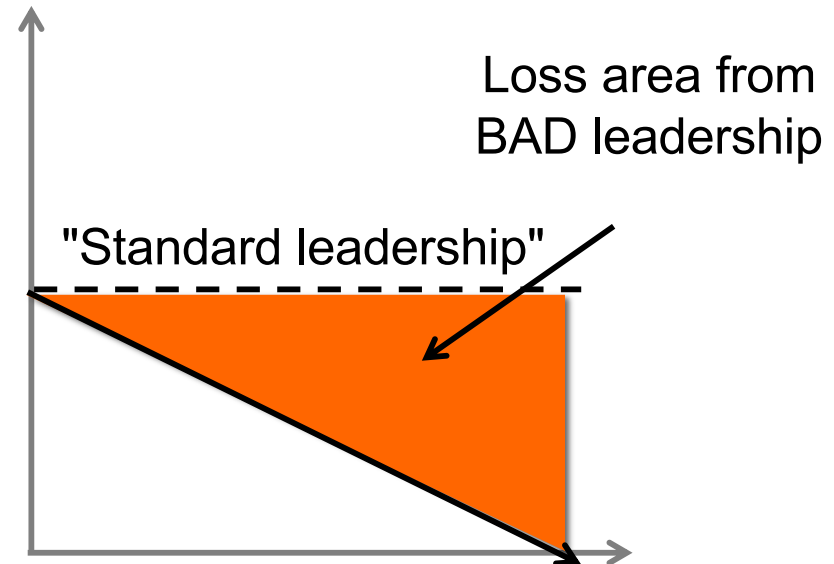
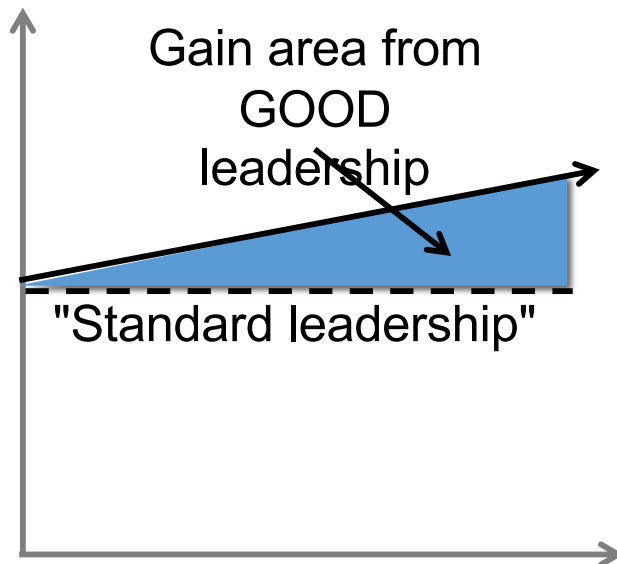
Three good leaders?

	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
TOTAL	42	42	42



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

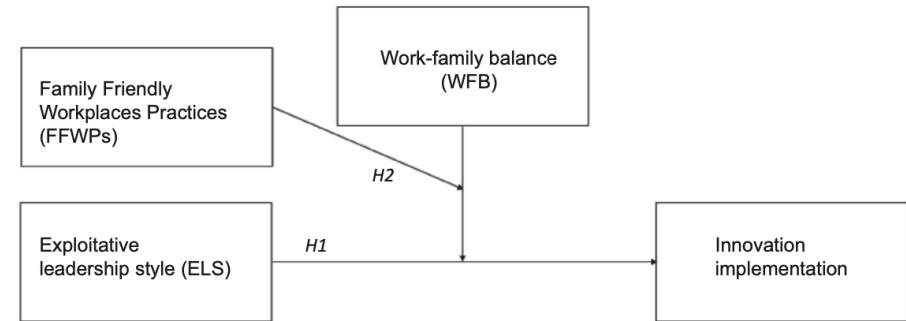
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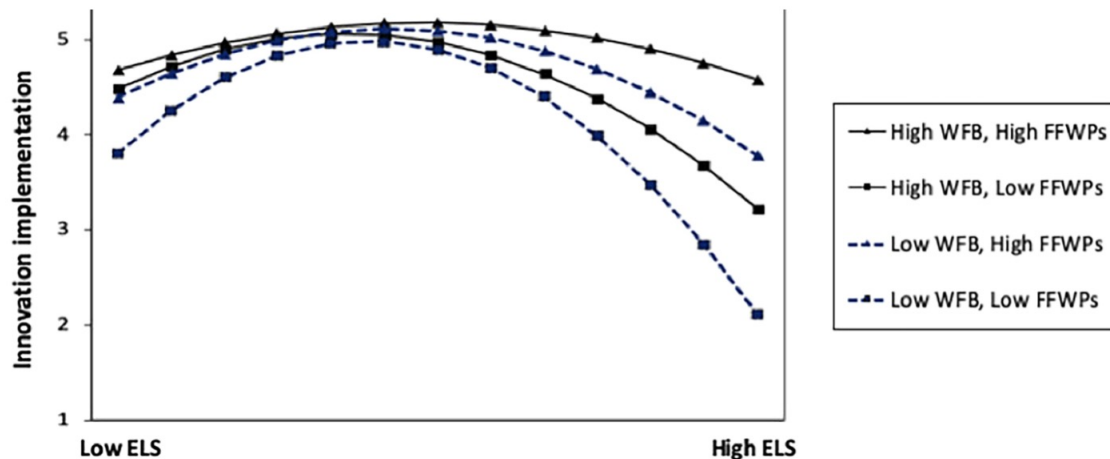
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Note(s): H1 indicates Hypothesis 1; H2 indicates Hypothesis 2

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 (At the individual level) and performances (at various levels)

INDIVIDUAL LEVEL

Perceptions
Believes
Attitudes
Mental states

INDIVIDUAL/TEAM/ FIRM LEVEL

Behaviors
Strategies
Routines
Heuristics

INDIVIDUAL/TEAM/ FIRM LEVEL

Outcomes
Results
Performances

Managers with '*mature* perceptions' believe that

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

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

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

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

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

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

profitability is determined by the firm.

market share is critical

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

dominance demands **extensive resources**

effectiveness, not extent of resources counts

Micro-foundations of innovation

- Perceptions, mindsets, beliefs, mental states (etc.) at the individual level influencing innovative behaviours at the individual / team / firm levels are called **micro-foundations of innovation**
- Examples of micro-foundations of innovation include the following (see next slide)

**Knowledge
hiding**

**Employee
silence**

**Time
perspectives**

**Idea
championing**

**Time
pressure**

**Task
conflict**

**Time
management**

**Cultural
intelligence**

Flow

**INNOVATIVE
WORK
BEHAVIOR**

Some definitions

KNOWLEDGE HIDING: intentional act of individuals concealing or withholding valuable information, expertise, or insights from colleagues or collaborators, to protect their own interests, maintain a competitive advantage, or maintain power dynamics within a group or organization.

EMPLOYEE SILENCE: it refers to the situation where employees intentionally choose not to voice their concerns, ideas, feedback, or grievances within the workplace. This behavior may be due to various reasons such as fear of reprisal, lack of confidence in the organization's responsiveness, or a belief that their input will not be valued.

TIME PERSPECTIVES: they refer to an individual's cognitive orientation and attitude towards time. This concept encompasses various dimensions, including:

Past Orientation: A focus on past experiences, memories, and traditions.

Present Orientation: A focus on the immediate, current moment, with an emphasis on pleasure, enjoyment, and instant gratification.

Future Orientation: A focus on long-term goals, planning, and anticipation of future consequences.

Some definitions /2

IDEA CHAMPIONING: refers to the active and enthusiastic support, promotion, and advocacy of a new concept, project, or proposal by an individual within an organization.

TIME PRESSURE: it refers to the condition in which individuals or organizations face constraints and urgency in completing tasks, projects, or activities within a limited timeframe

TASK CONFLICT: it refers to an individual's internal conflict or cognitive dissonance related to a specific task or decision. It involves a person experiencing conflicting thoughts, beliefs, or emotions regarding a particular task or goal a group / firms is trying to accomplish

TIME MANAGEMENT: it refers to the strategic allocation and optimization of time and resources by individuals or organizations to enhance their capacity for innovation (i.e., prioritizing tasks, setting goals, and structuring one's schedule to maximize productivity, creativity, etc.)

Some definitions /3

CULTURAL INTELLIGENCE: it refers to an individual ability to effectively understand, adapt to, and leverage diverse cultural perspectives and practices in the pursuit of innovation

FLOW: it is a psychological state in which individuals become fully immersed and intensely focused on a particular task or activity, often characterized by a deep sense of enjoyment, creativity, and heightened productivity.

INNOVATIVE WORK BEHAVIOR: it refers to the actions and behaviors of employees within an organization that involve the generation, development, and implementation of novel ideas, processes, products, or services aimed at improving or advancing the organization's operations, products, or services. In the context of the micro foundation of innovation literature, it is the individual-level contribution to the innovation process, including activities such as idea generation, problem-solving, and the proactive pursuit of creative solutions within the workplace.

Micro-foundations of innovation

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

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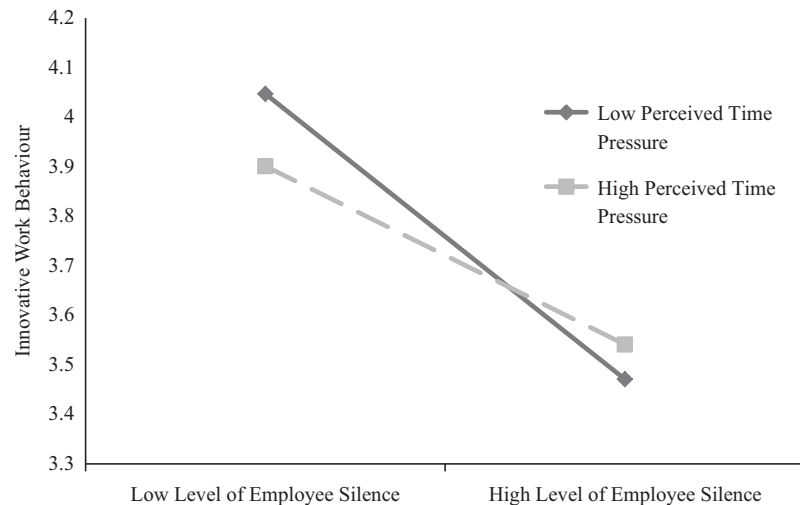
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Micro-foundations of innovation

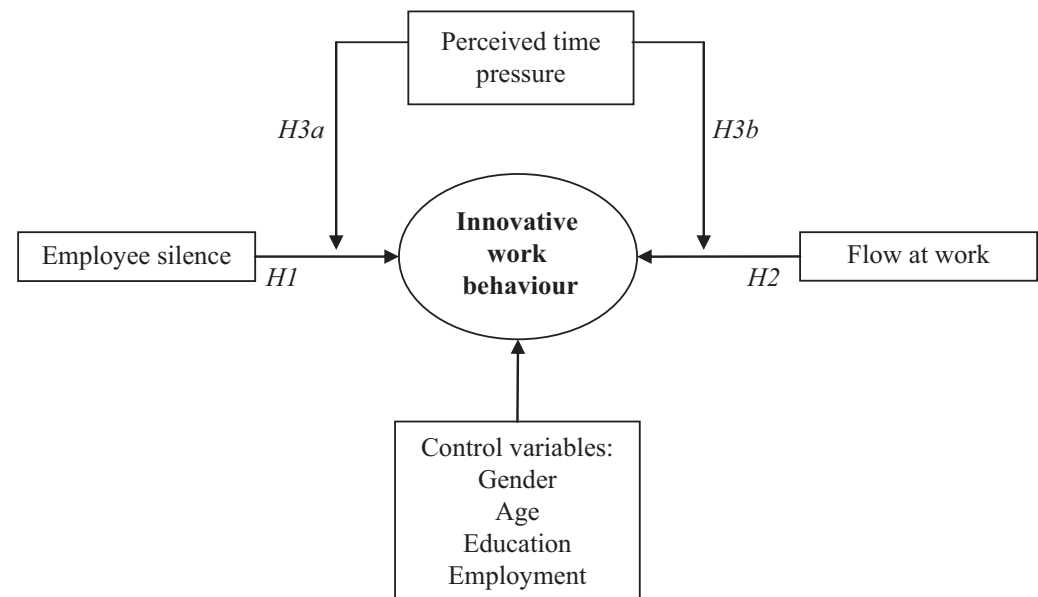
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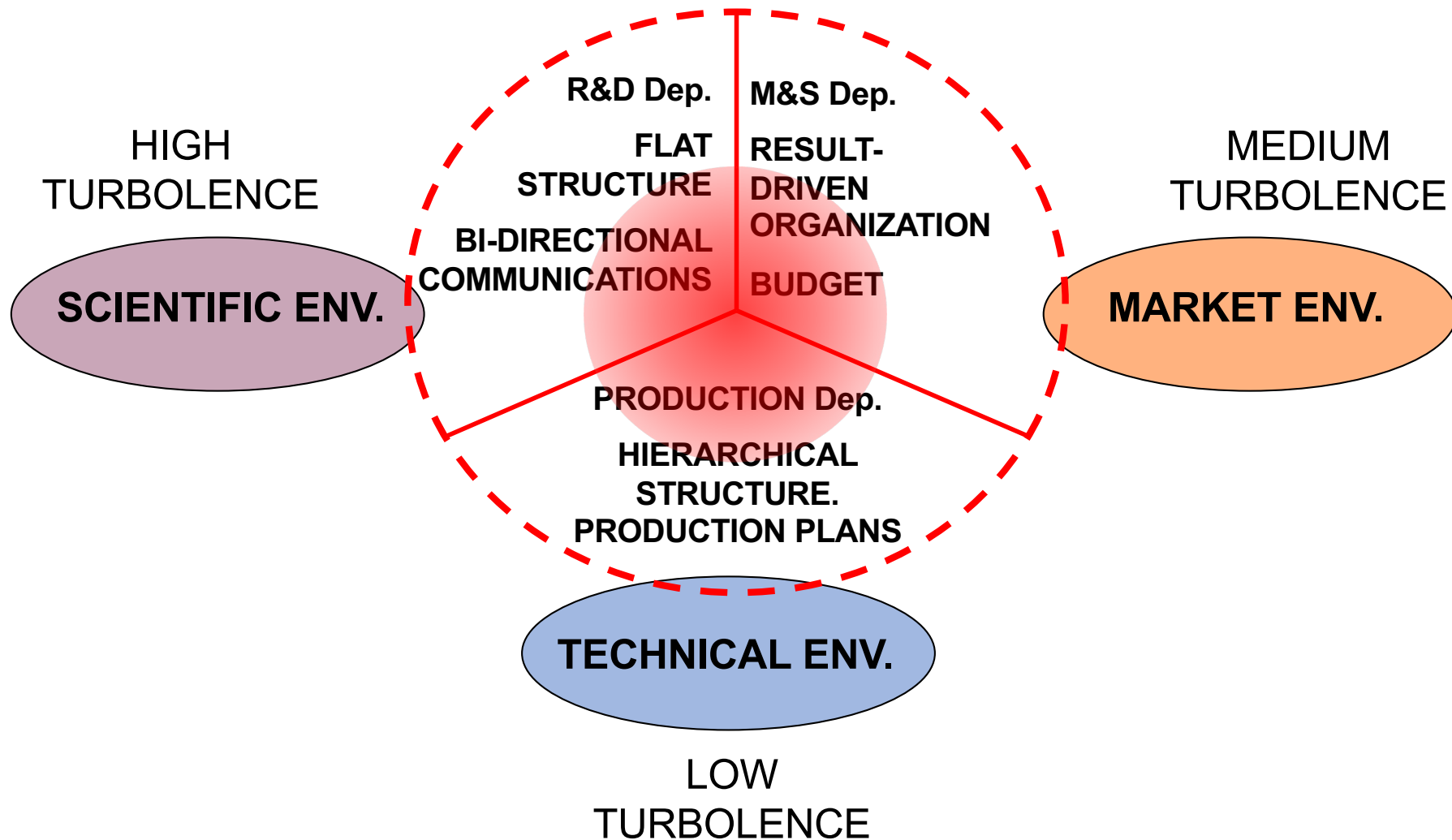


Hypothesis	Status
<i>H1.</i> Employee silence is negatively related to IWB	Supported
<i>H2.</i> Flow is positively related to IWB	Supported
<i>H3a.</i> Perceived time pressure at work moderates the relationship between employee silence and IWB	Supported
<i>H3b.</i> Perceived time pressure at work moderates 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

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

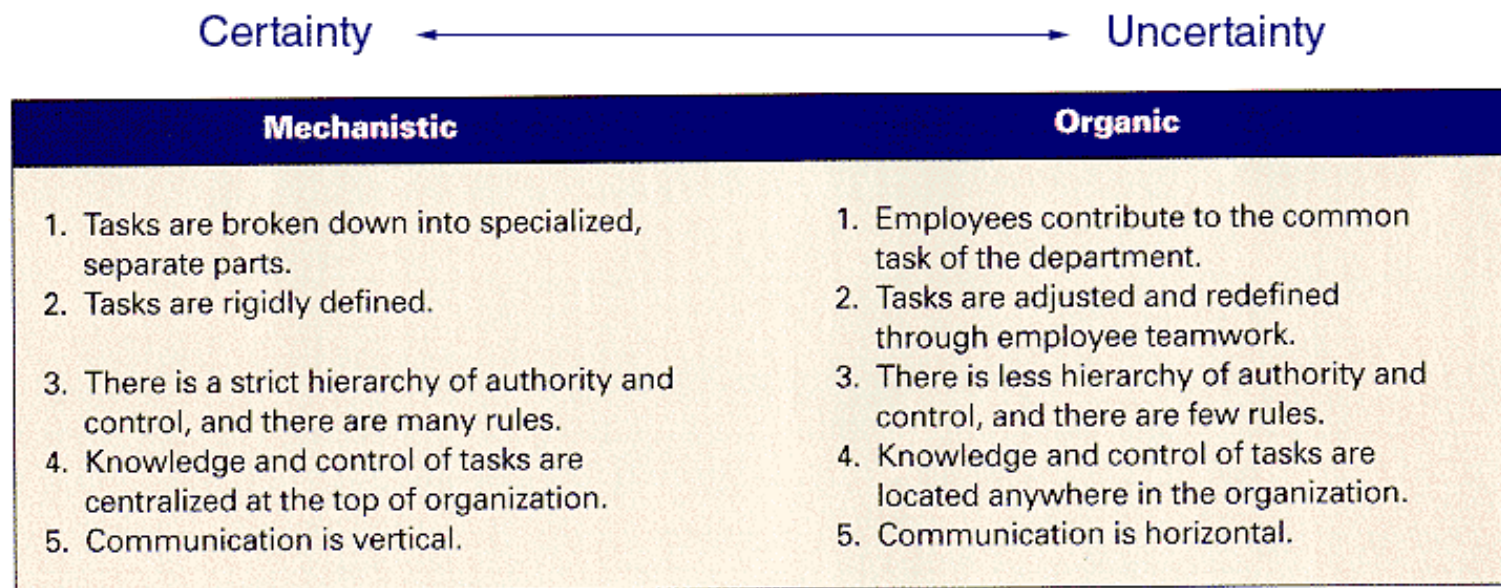
- March (1991) introduced the concepts of EXPLORATION and EXPLOITATION capabilities
- EXPLORATION includes things captured by terms such as search, variation, risk taking, experimentation, flexibility, discovery, and innovation.
- EXPLOITATION includes such things as refinement, choice, production, efficiency,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



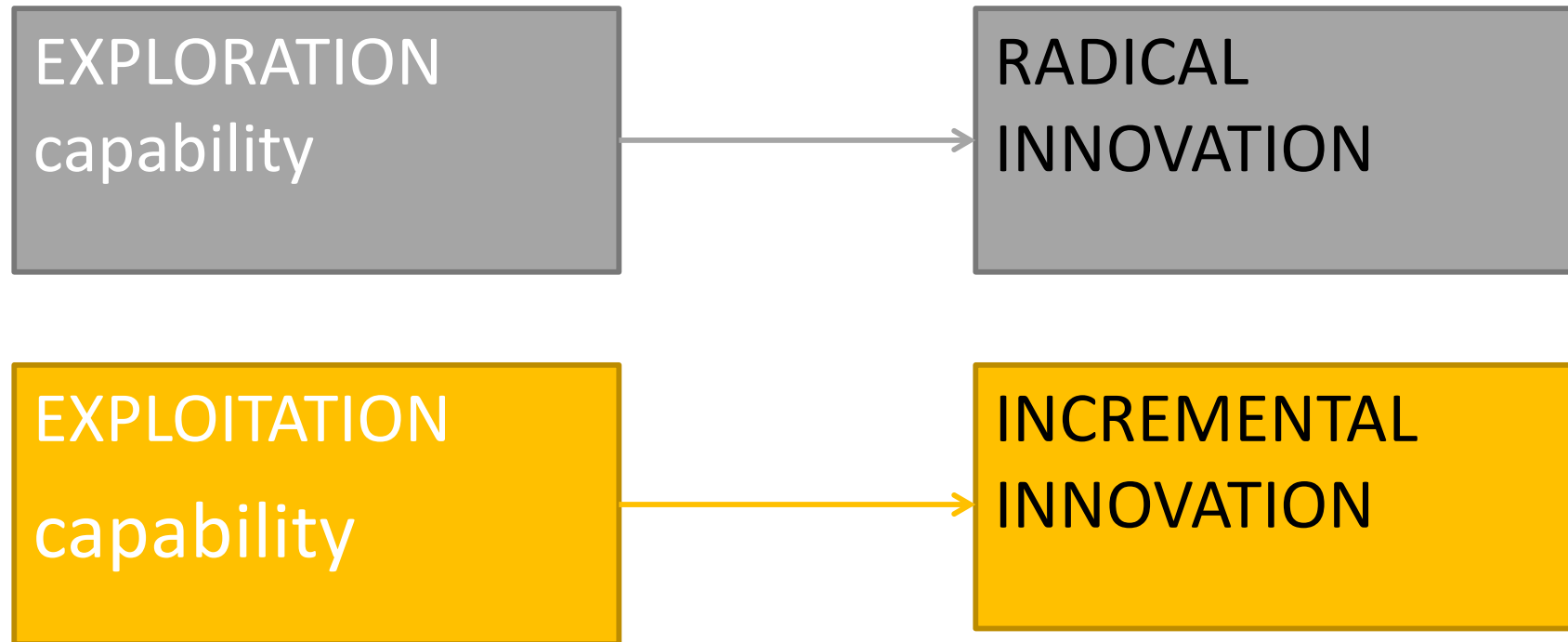
Source: Adapted from Gerald Zaltman, Robert Duncan, and Jonny Holbek, *Innovations and Organizations* (New York: Wiley, 1973), 131.

**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**

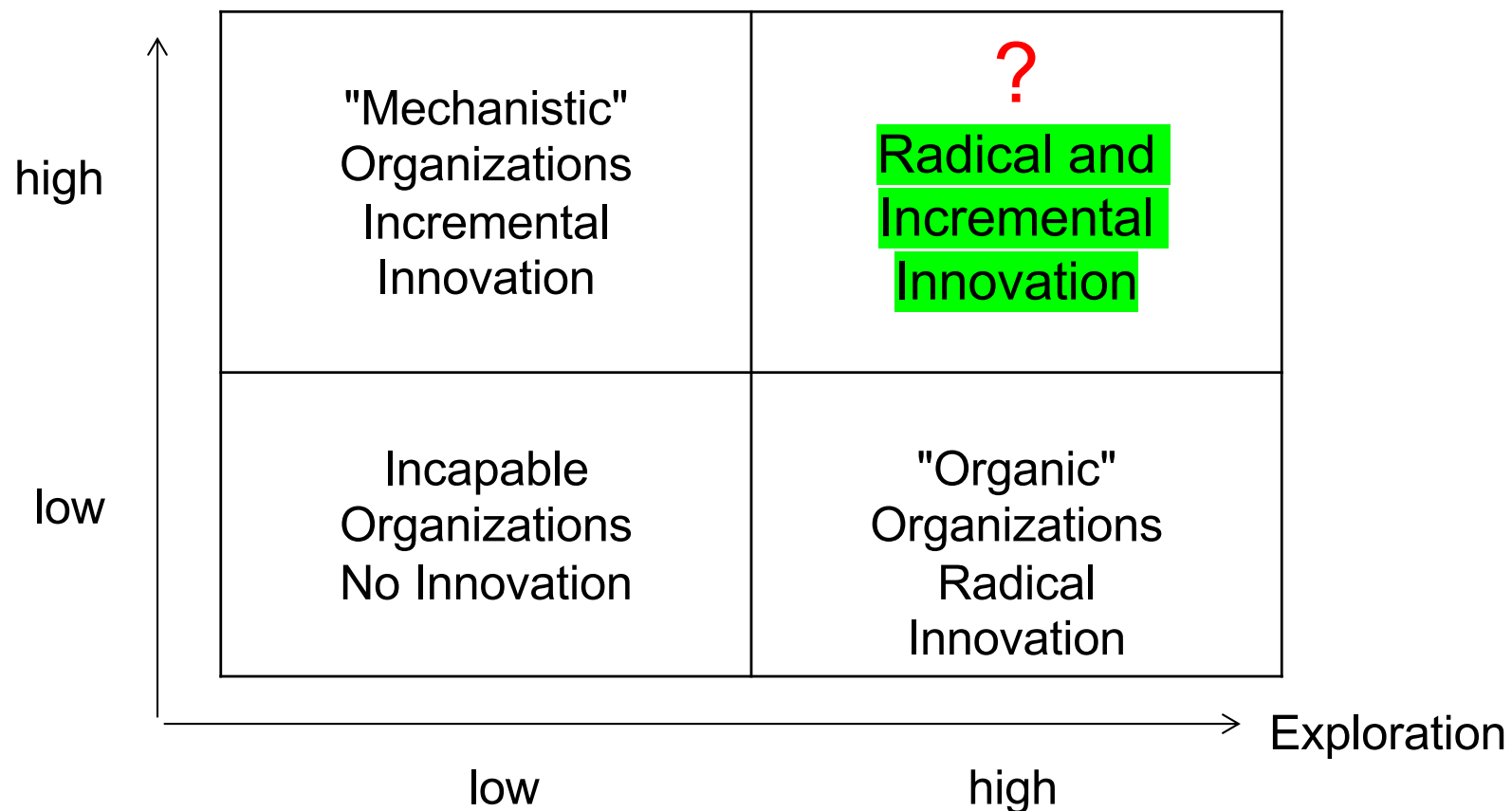
Exploration/Exploitation capabilities and Innovation



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

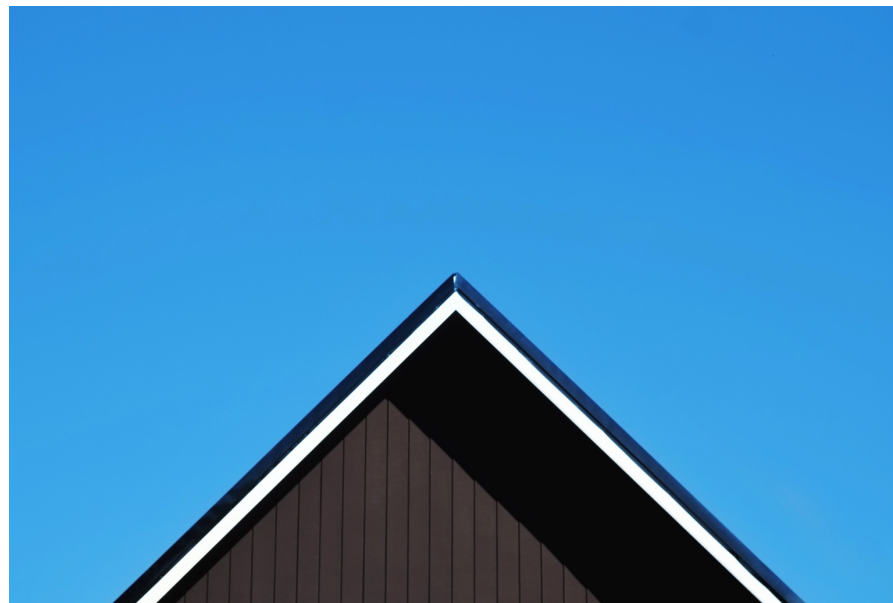
Organizational ambidexterity refers to an organization's ability to be efficient in the management of today's business (exploitation capability) and at the same time to be flexible/adaptable for coping with tomorrow's changing demand (exploration capability).

Organizational ambidexterity types:

- CONTEXTUAL ambidexterity
- SEQUENTIAL ambidexterity
- STRUCTURAL ambidexterity

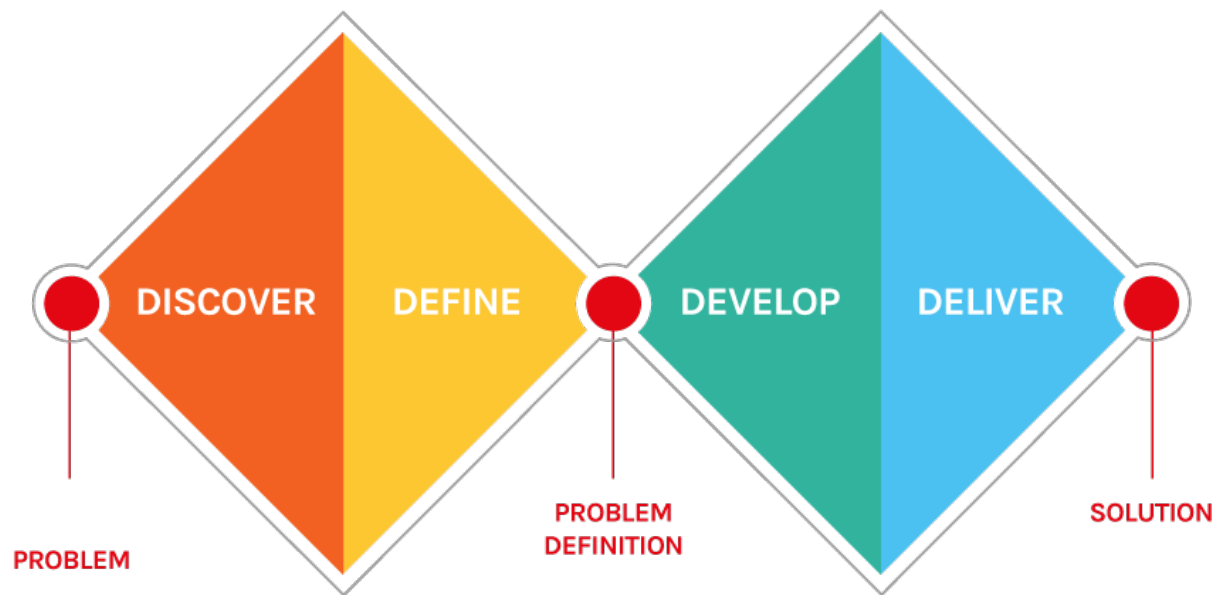
Contextual ambidexterity:

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:

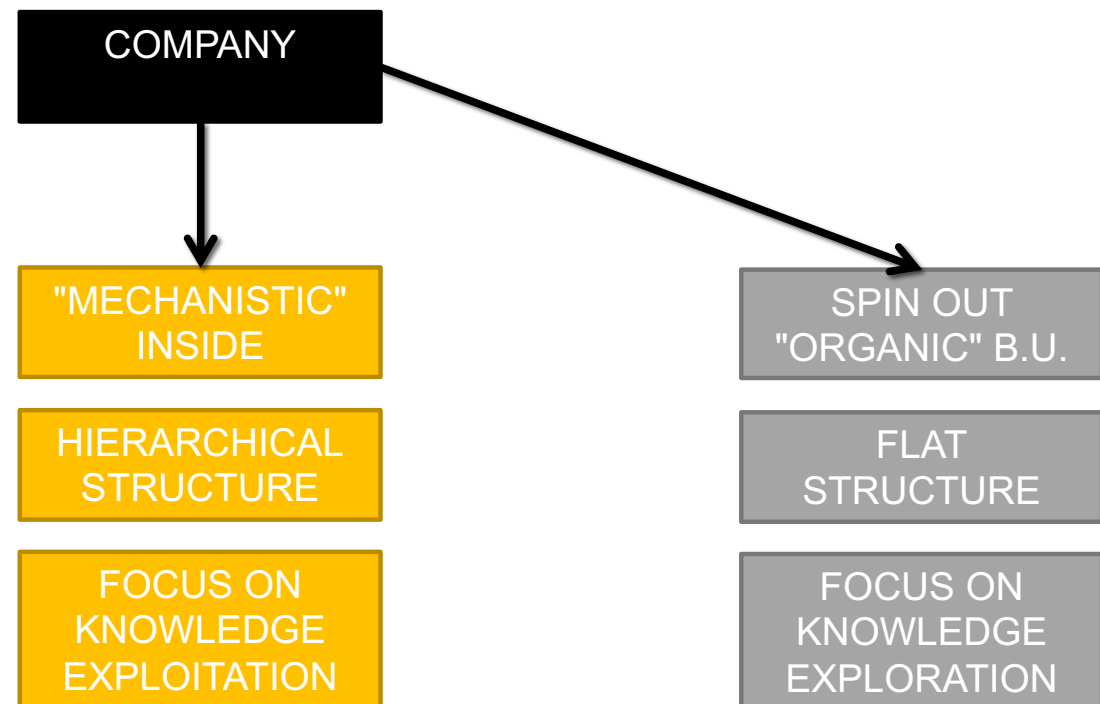
is the ability of an organization to shift back and forth between different organizational models, focusing on exploitation for a period and then moving into exploration mode. It's the logic at the base of the design thinking approach to innovation.



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)

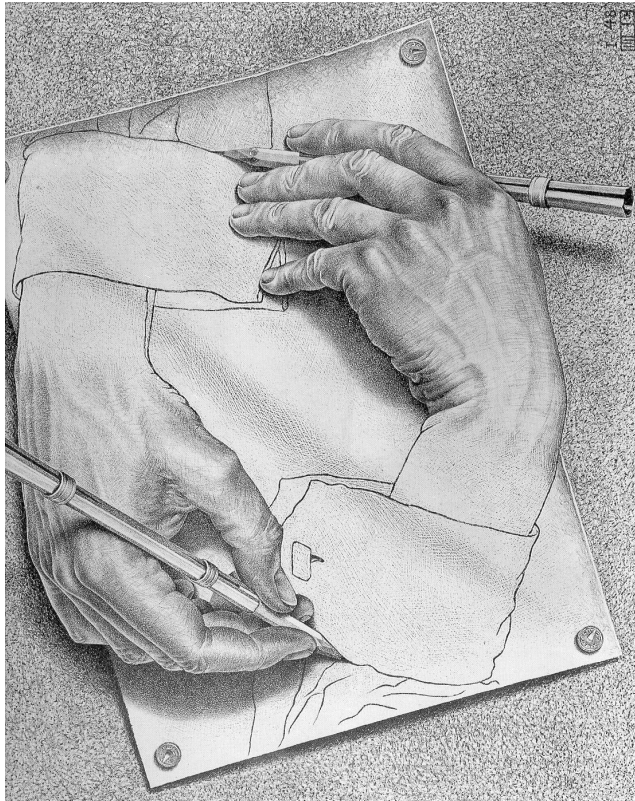
We ended up focusing on 35 attempts to launch breakthrough innovations undertaken by 15 business units in nine different industries. We studied the structure and results of the breakthrough projects as well as their impact on the operations and performance of the traditional businesses.

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

MITSloan
Management Review



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?

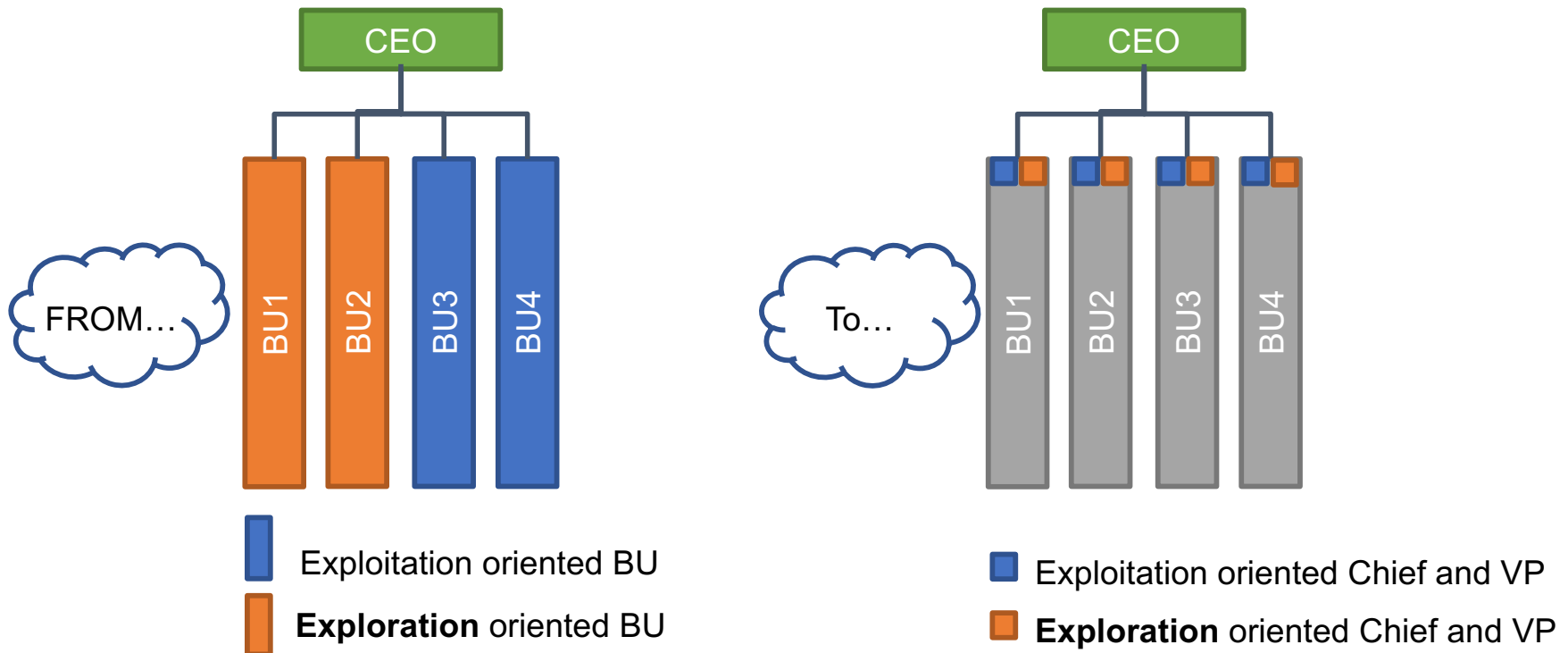
Although many executives recognize the need to **exploit current** capabilities **while developing** new ones, **few** are very effective at managing this conflicting set of activities.

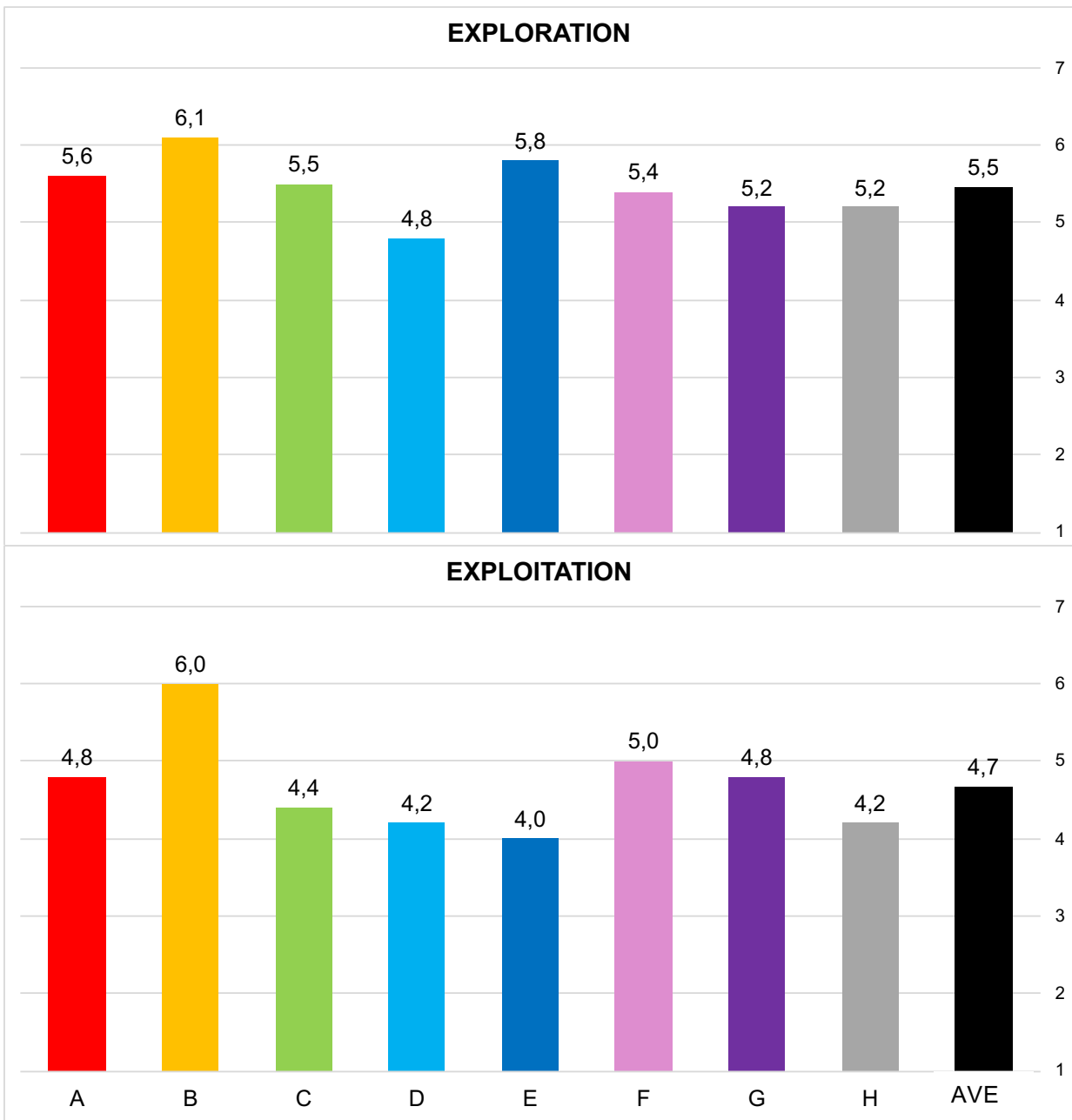
The companies we studied that transformed themselves had an unusual ability to maintain **steady performance** while pursuing **strategic change**.

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





EXPLORATION

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

EXPLOITATION

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



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

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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.

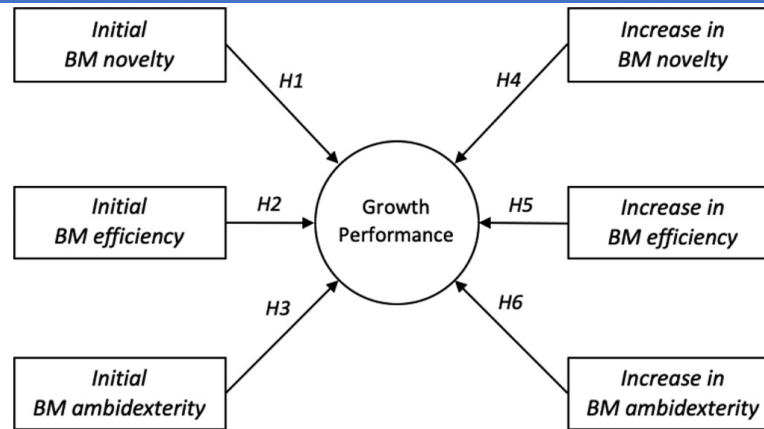


Fig. 1. Research hypotheses.

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 ²	0.091		0.104		0.131		0.163		0.176	
Δ R ²	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	