Efficiency-Innovation Tools

Digital transformation is different because of the combination of these 8 challenges:

- **Challenges are connected**

- **Efficiency & Innovation**
- **Ambidexterity**
- **Customer-focus**
- **Front-Back**
- **Hierarchies & Networks**
- **Integration & coordination**
- **Leadership**
- **New demands**
- **Spread innovation**
- **Scaling**
- **Shift to digital**
- **Scope, scale and speed**

Organization redesign is required

The key barrier to digital transformation is today’s organization.
This challenge has to do with using digital technology to enhance organizational ambidexterity.

Companies reported that designing and balancing efficiency and digital innovation is hard and fraught with tensions and conflicts. The two types of work produce radically different structures, designs and cultures, which are often contradictory in purpose and management.

These tools are intended to help raise awareness of the challenge and to provide useful guides to actions you can take to design a more ambidextrous organization.
Companies reported that designing and balancing efficiency and digital innovation is hard and fraught with tensions and conflicts. The two types of work produce radically different structures, designs and cultures, which are often contradictory in purpose and management.

**Helpful reading**


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<th>Tools</th>
<th>Description</th>
<th>Use</th>
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<td><strong>Key Insights</strong></td>
<td>Takeaways from the Lab</td>
<td>Learn what companies thought was important to know about this challenge</td>
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<td><strong>Design for Ambidexterity</strong></td>
<td>Galbraith’s Star Model</td>
<td>This tool uses Galbraith’s Star model to define the characteristics of ambidextrous organization design</td>
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<td><strong>Design Factors</strong></td>
<td>Framework</td>
<td>Use this table to help people understand what aspects of your organization’s design affect efficiency, innovation or both</td>
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<td><strong>The S-curve</strong></td>
<td>Model</td>
<td>Focusing on either efficiency or innovation exclusively can cause trouble; why ambidexterity is important</td>
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<td><strong>Things You Can Do</strong></td>
<td>List of actions</td>
<td>Some suggestions from the Lab about what your company can do to become more ambidextrous</td>
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Key Insights about Digital Efficiency-Innovation

- There is a tendency to separate those responsible for innovation or efficiency when in fact more innovation is necessary to increase efficiency and efficiency needs to be introduced into innovation. It’s “both-and” not “either-or”. Too much focus on either efficiency or innovation at the expense of the other is not optimal.

- This leads to the conclusion that everyone shares the responsibility to think about both innovation and efficiency. Otherwise, we create an “us-them” dynamic that impedes the rapid discovery and scaling of innovations or the adoption of more efficient processes.

- Moreover, a dominant culture of efficiency or innovation in an organization needs to give way to a more versatile culture that supports, encourages and rewards both.

- Organization design choices of all kinds (structure, roles, processes, rewards) determine how difficult or easy achieving both efficiency and innovation will be.

- Since leaders control design choices, they must understand how to design more optimal organizations that produce more versatile cultures that produce both efficiency and innovation.
Ambidextrous Design

**Strategy**
Achieve both efficiency and innovation

**People**
Select and develop some percentage of people who are capable of both left and right brain thinking to serve as network integrators

**Rewards**
Balance rewards and metrics for both efficiency and innovation

**Processes**
Create and deploy processes that support both innovation and efficiency everywhere

**Structure**
Do not separate incubators; efficiency and innovation are part of every role; rotate people between jobs that focus on efficiency and innovation
# Design Factors That Affect Efficiency & Innovation

<table>
<thead>
<tr>
<th></th>
<th>Efficiency</th>
<th>Innovation</th>
<th>Both</th>
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<tr>
<td><strong>Structure</strong></td>
<td>Hierarchical; power at top and in silos</td>
<td>Non-hierarchical; separate innovation units; decentralized power</td>
<td>Internal innovation centers everywhere; shared power (collaborative)</td>
</tr>
<tr>
<td><strong>Processes</strong></td>
<td>Processes optimized for repeatability &amp; control (precisely defined, instant feedback for correction)</td>
<td>Processes optimized for innovation (loosely defined; lots of ideas explored)</td>
<td>Processes designed for efficient innovation (disciplined design thinking)</td>
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<tr>
<td><strong>Rewards</strong></td>
<td>Individuals rewarded for output against goals decided by others</td>
<td>Individuals rewarded for ideas that lead to commercial success</td>
<td>Teams rewarded for implementing innovations in products and processes</td>
</tr>
<tr>
<td><strong>People</strong></td>
<td>Select those who “fit” the culture and accept authority; dependent culture</td>
<td>Select those who don’t fit the culture and challenge authority; independent culture</td>
<td>Select those who take responsibility, learn and take action to enhance the future success of the system; interdependent culture</td>
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The S-Curve: Focusing on Either Efficiency or Innovation for Too Long is Trouble

- **Startup**: Emphasize innovation
- **Scale**: Emphasize innovations in efficiency
- **Harvest remaining profits**: Emphasize efficiency
- **Solidify New Model**: Emphasize efficiency
- **Prepare for disruption**: Balance both innovation and efficiency
- **Prepare for disruption**: Balance both innovation and efficiency
- **New business model**: Emphasize innovation

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Things You Can Do

- Add innovation goals and responsibilities to every job
- Rotate people into and out of roles that are primarily efficiency-oriented or innovation-oriented
- Set more balanced organization goals for profitability and innovation
- Redesign the organization (people, processes, structure and rewards) using digital technologies to enhance both efficiency and innovation
The STARLab Alliance, Inc. is a non-profit learning consortium focused on creating next generation organization design and leadership models.

The Digital Organization Design STARLab is a year-long learning experience that allows participants and subject matter experts to collectively explore and prototype practical and innovative responses to digitalization. STARLab Participants include 3-6 senior leaders from 10 companies, well-into the digital transition of their business models, who will partner with leadership and organization experts. The STARLab accelerates learning and creates organization design solutions that optimize the application of advanced technologies and human capital approaches to achieve agility and sustainable effectiveness.

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