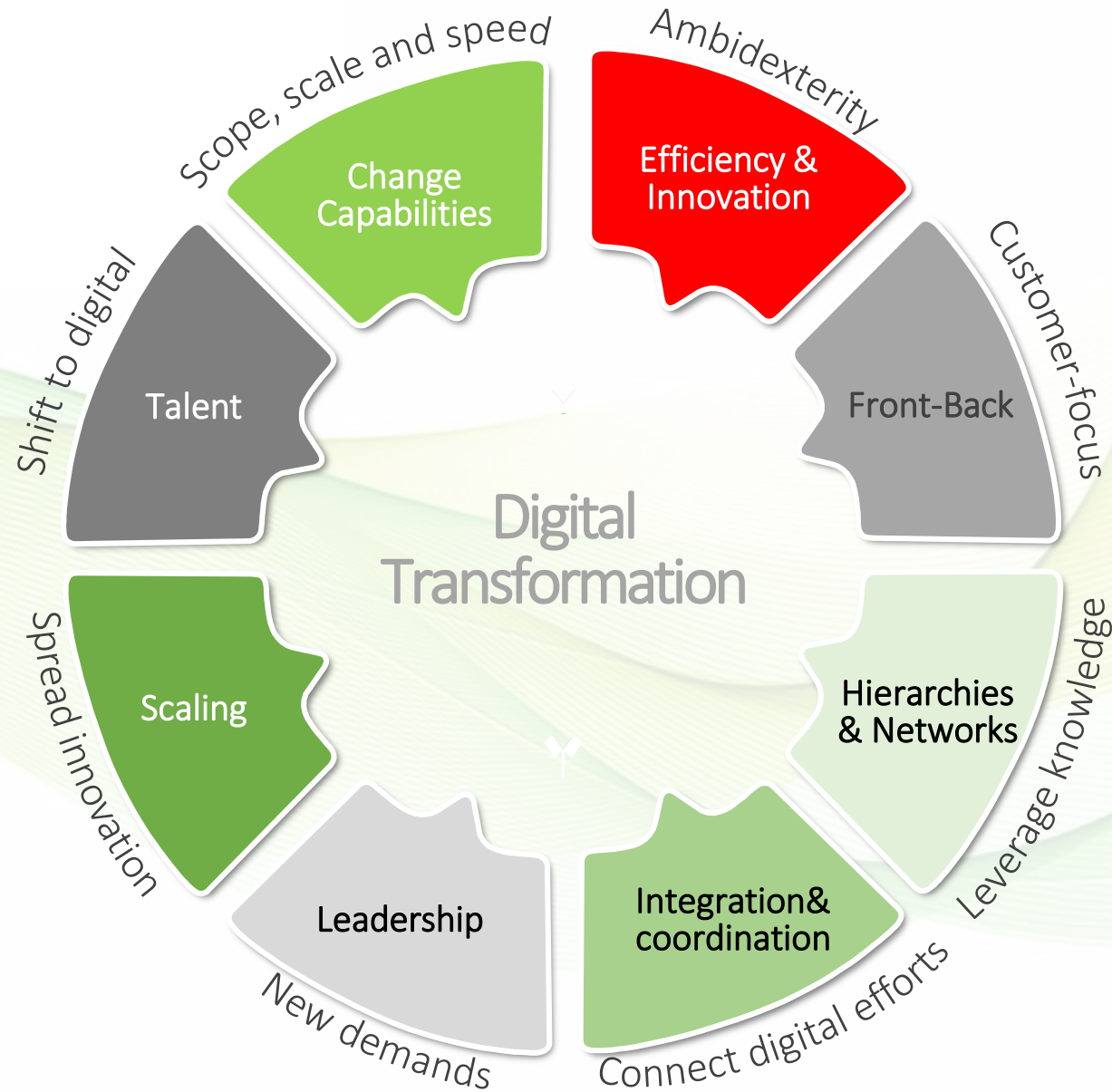


Efficiency-Innovation Tools

**INNOVATION
RESOURCE
CENTER** for HUMAN RESOURCES

The development of these tools was funded by
a grant from IRC4HR® <https://irc4hr.org/>

Efficiency- Innovation Tools



Challenges are connected

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

Organization redesign is required

The key barrier to digital transformation is today's organization

Efficiency-Innovation Tools

- ❖ 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

Efficiency-Innovation	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.
Helpful reading		O'Reilly, C. A., & Tushman, M. L. (2002). <i>Winning through innovation: A practical guide to leading organizational change and renewal</i> . Boston, MA, Harvard Business School Publishing. O'Reilly III, C. A., & Tushman, M. L. (2016). <i>Lead and disrupt: How to solve the innovator's dilemma</i> . Stanford University Press.
Tools	Description	Use
Key Insights	Takeaways from the Lab	Learn what companies thought was important to know about this challenge
Design for Ambidexterity	Galbraith's Star Model	This tool uses Galbraith's Star model to define the characteristics of ambidextrous organization design
Design Factors	Framework	Use this table to help people understand what aspects of your organization's design affect efficiency, innovation or both
The S-curve	Model	Focusing on either efficiency or innovation exclusively can cause trouble; why ambidexterity is important
Things You Can Do	List of actions	Some suggestions from the Lab about what your company can do to become more ambidextrous

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.

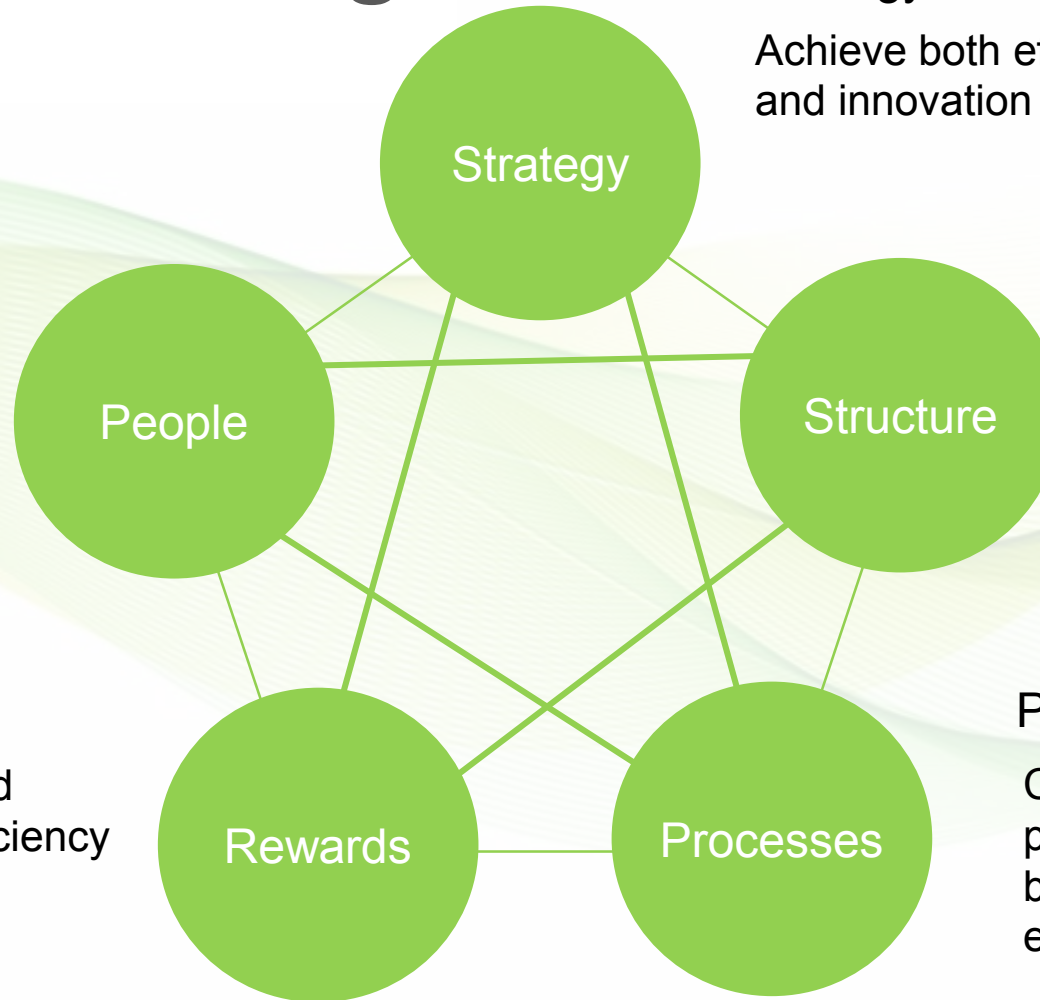
Ambidextrous Design

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



Strategy

Achieve both efficiency and innovation

Structure

Do not separate incubators; efficiency and innovation are part of every role; rotate people between jobs that focus on efficiency and innovation

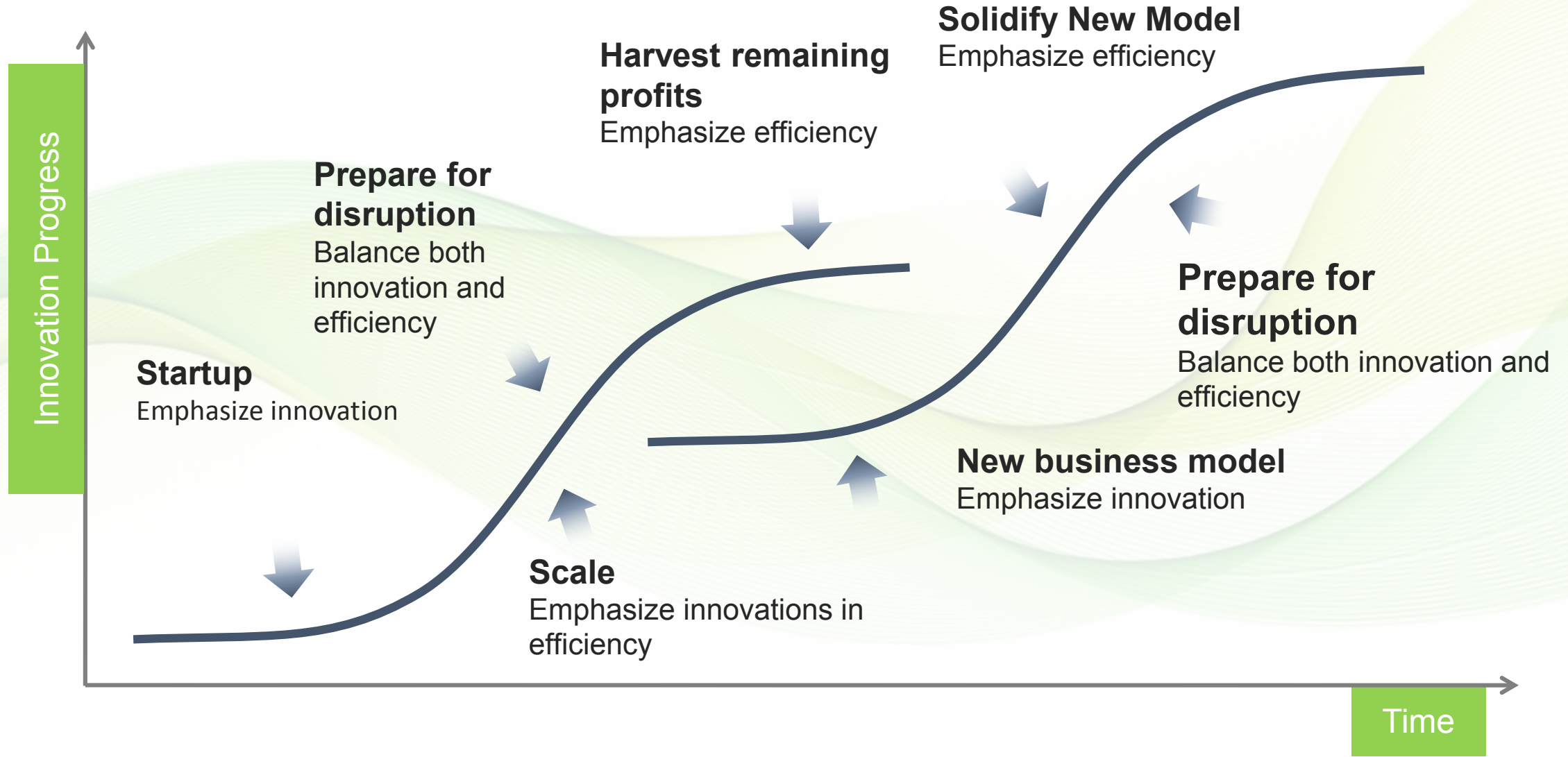
Processes

Create and deploy processes that support both innovation and efficiency everywhere

Design Factors That Affect Efficiency & Innovation

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

The S-Curve: Focusing on Either Efficiency or Innovation for Too Long is Trouble



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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