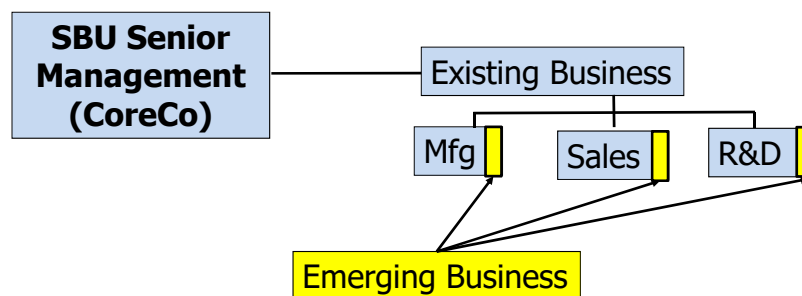
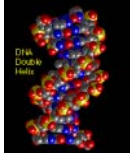


Most large companies **do not**
use the correct
organizational structure for
managing transformational
innovations

Integrated



Corning Microarray Technologies (Circa 1998)

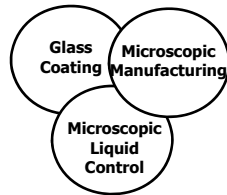


Field of Genomics is exploding. Anticipated that it would be multibillion market in 10 years

Glass slide with thousands of DNA samples attached to it with a special adhesive coating



Researchers "print" their own in a time consuming and costly process

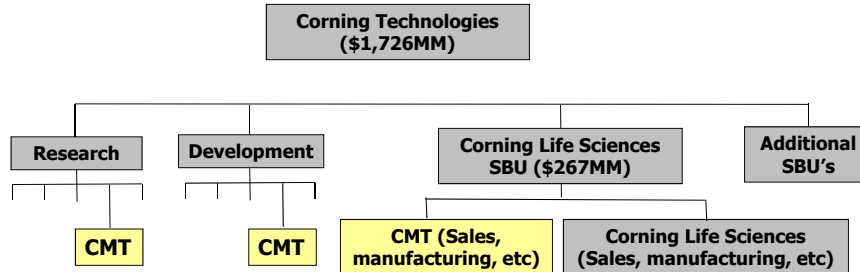


Corning has all of the competencies necessary to succeed

Value Proposition: Corning would mass produce reliable microarrays at a low cost. Projected revenues in 5 years at \$250 million.

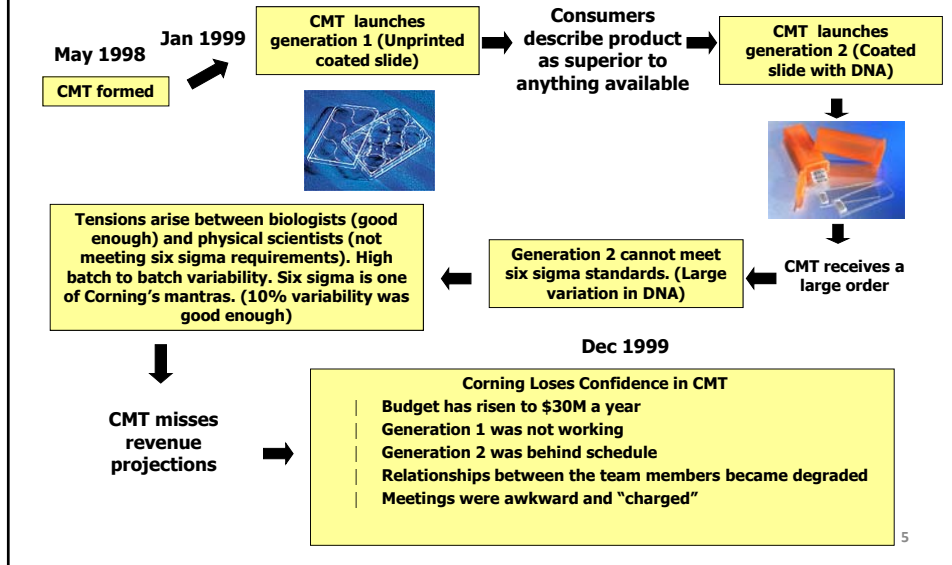
Trimble, Chris and Guatum Belluer, "Corning Microarray Technologies," Tuck School of Business at Dartmouth, Case Number 2-0020, April 2003. 3

Corning Microarray Technologies (Circa 1998)

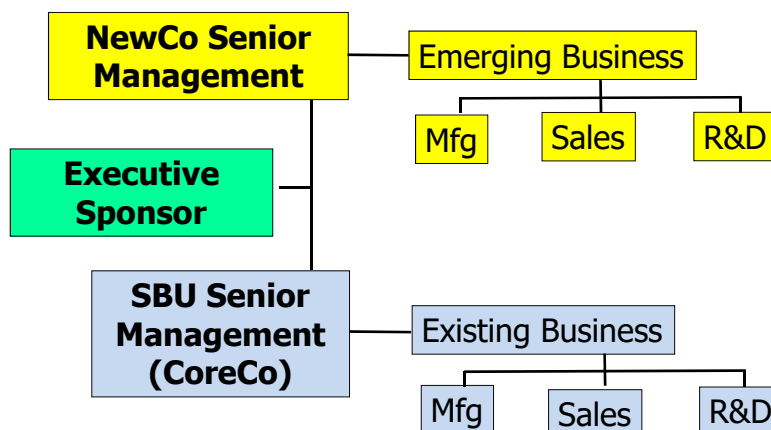


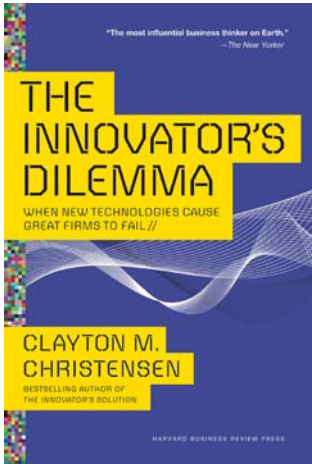

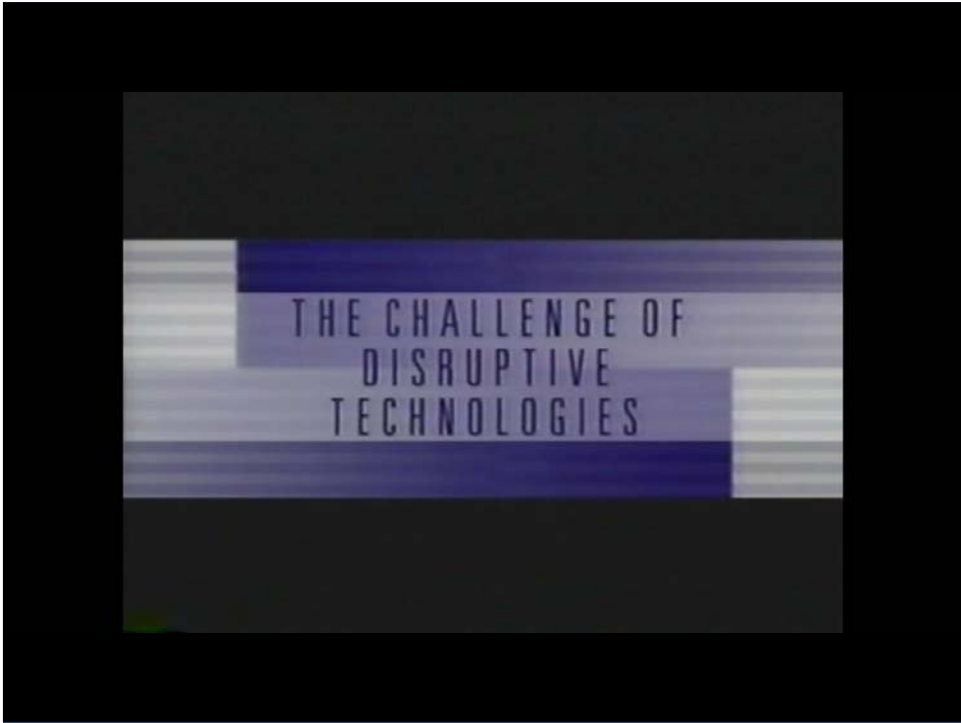
- Leadership was shared by three managers – a research head, a development head and a business unit head.
- Each reported to a different manager.
- Typical arrangement used for sustaining product development efforts.

Corning Microarray Technologies (Circa 1998)



Separated





~~Disruptive Technologies~~

Disruptive Innovations

8

The complex block contains a portrait of Clayton M. Christensen on the left, wearing glasses and a suit. To the right is the cover of his book "The Innovator's Dilemma: When New Technologies Cause Great Firms to Fail". The cover is blue with yellow text and a white wavy line graphic. Below the images, the text "~~Disruptive Technologies~~" is crossed out, and "Disruptive Innovations" is written in bold. The number "8" is in the bottom right corner.

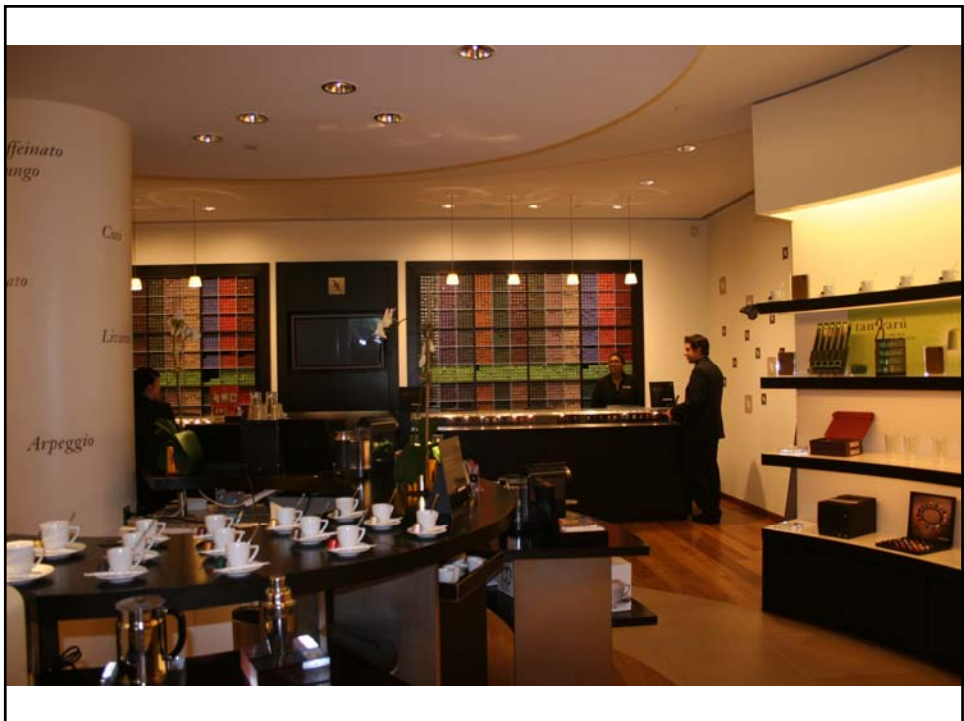


Separated

Useful for disruptive innovations with low synergy with existing businesses models and require long financial runway

Markides, Constantinos and Constantinos Charitou. "Competing with dual business models: A contingency approach," *Academy of Management Executive*, 2004, Vol 18 (3), pg. 22 – 36.



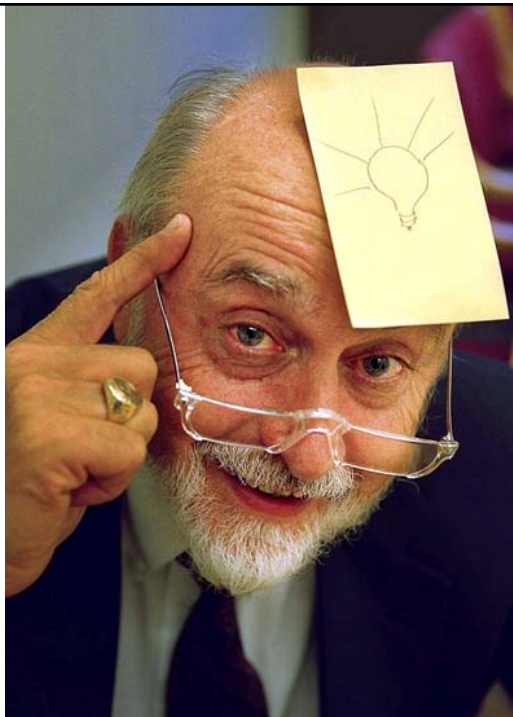




Nespresso

- **Began development in 1974**
- **Launched in 1987 in Italy and Switzerland into the office sector**
 - Sales targets for both machines and capsules were behind targets
- **Relaunched in 1989 – but targeted at the household market**
- **One of the fastest growing businesses in the Nestle group**
- **Average growth of 30%/year since 2000**
- **In 2011 sales where \$3.9 billion**

17



18

Post-it Note

- **1968 - Spence Silver develops low tack adhesive**
- **1974 – Art Fry uses idea to develop book marks for hymnbooks**
- **1977 – “Press n Peel” launched in four cities – results were disappointing**
- **1978 – relaunched as free samples to consumers – with 94 percent indicating that they would purchase**
- **Roll out began in 1979**

19

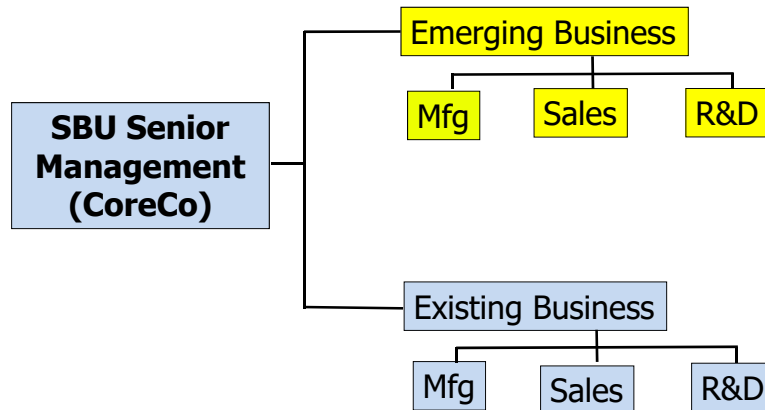


20





Ambidextrous



O'Reilly, Charles A., III, and Michael L. Tushman. "Organizational Ambidexterity in Action: How Managers Explore and Exploit." *California Management Review* 53, no. 4 (Summer 2011): 5–21.
O'Reilly, Charles A., III, and Michael L. Tushman. "The Ambidextrous Organization." *Harvard Business Review* 82, no. 4 (April 2004): 74–81.

Charles A. O'Reilly III
Michael L. Tushman

LEAD —and— DISRUPT



How to solve the
innovator's dilemma

Why do successful businesses fail?

<https://www.youtube.com/watch?v=K0PKrECNSVE>



<https://www.youtube.com/watch?v=lrTxzjfFhWw>

Ambidextrous organizations
are **90% more effective** in
developing transformational
innovations than either
integrated or separated

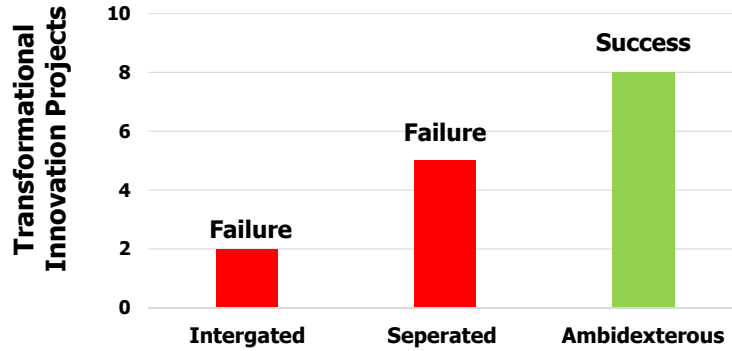
O'Reilly, Charles A., III, and Michael L. Tushman. "Organizational Ambidexterity in Action: How Managers Explore and Exploit." *California Management Review* 53, no. 4 (Summer 2011): 5-21.

Evidence

"... the preponderance of evidence shows a clear pattern: **Ambidexterity has been shown to be positively associated with sales growth** (Auh & Menguc, 2005; Caspin-Wagner, Ellis, & Tishler, 2012; Geerts, Blindenbach-Driessen, & Gemmel, 2010; Han & Celly, 2008; He & Wong, 2004; Lee, Lee, & Lee, 2003; Nobeoka & Cusumano, 1998; Venkatraman, Lee, & Iyer, 2006; Zhiang, Yang, & Demirkan, 2007), **subjective ratings of performance** (Bierly & Daly, 2007; Burton, O'Reilly, & Bidwell, 2012; Cao, Gedajlovic, & Zhang, 2009; Gibson & Birkinshaw, 2004; Lubatkin, Simsek, Ling, & Veiga, 2006; Markides & Charitou, 2004; Masini, Zollo, & van Wassenhove, 2004; Schulze, Heinemann, & Abedin, 2008), **innovation** (Adler, Goldoftas, & Levine, 1999; Burgers, Jansen, Van den Bosch, & Volberda, 2009; Eisenhardt & Tabrizi, 1995; Katila & Ahuja, 2002; McGrath, 2001; Phene, Tallman, & Almeida, 2012; Rothaermel & Alexandre, 2009; Rothaermel & Deeds, 2004; Sarkees & Bulland, 2009; Tushman, Smith, Wood, Westerman, & O'Reilly, 2010; Yang & Atuahene-Gima, 2007), **market valuation as measured by Tobin's Q** (Goosen, Bazzazian, & Phelps, 2012; Uotila, Maula, Keil, & Zhara, 2008; Wang & Li, 2008), **and firm survival** (Cottrell & Nault, 2004; Hensmans & Johnson, 2007; Hill & Birkinshaw, 2012; Kauppila, 2010; Laplume & Dass, 2012; Mitchell & Singh, 1993; Piao, 2010; Tempelaar & Van de Vrande, 2012; Yu & Khessina, 2012)."

O'Reilly, Charles and Tushman, Michael, "Organizational Ambidexterity: Past, Present and Future," *Academy of Management Perspectives*, 2013 27 (4); page 325

Case Studies from 15 companies managing transformational innovations



O'Reilly, Charles A., III, and Michael L. Tushman. "Organizational Ambidexterity in Action: How Managers Explore and Exploit." *California Management Review* 53, no. 4 (Summer 2011): 5–21.

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Started with 2 people in 2000 and was a \$5 billion business in 2006

Cisco Telepresence



Started in October 2006 had revenue of \$200 million in 2009 and \$997 million in 2012

Ciba Vision



What can business leaders do to ensure their company's continued success?

<https://www.youtube.com/watch?v=K0PKrECNSVE>

Conditions for an Ambidextrous Organization

- Strategic synergy between the existing and emerging business units
- Senior team that owns both the exiting and emerging business units
- Separate organizational architectures (i.e. business models, structures, incentives, metrics and cultures) between the existing and emerging business units
- Ability of senior leadership to tolerate and resolve tensions between the two units

O'Reilly, Charles A., III, and Michael L. Tushman. "Organizational Ambidexterity in Action: How Managers Explore and Exploit." *California Management Review* 53, no. 4 (Summer 2011): 5–21.